

# **WALTER SISULU LOCAL MUNICIPALITY**



**WALTER SISULU**  
LOCAL MUNICIPALITY  
*Botho Humanity Ubuntu*

## **ANNUAL FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDING**

### **30 JUNE 2019**

# WALTER SISULU LOCAL MUNICIPALITY

## INDEX

<b><u>Content</u></b>	<b><u>Page</u></b>
General Information	2 - 3
Approval of the Financial Statements	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes In Net Assets	7
Cash Flow Statement	8
Statement of comparison of budget and actual amounts	
- Statement of Financial Position	9 - 10
- Statement of Financial Performance	11 - 12
- Cash Flow Statement	13 - 14
Accounting Policies and Significant Judgements and Estimates	15 - 49
Notes to the Financial Statements	50 - 122
<b>APPENDICES - Unaudited</b>	
A Schedule of External Loans	123
B Segmental Statement of Financial Performance - Municipal Departments	124 - 125
C Segmental Statement of Financial Performance - Votes	126
D Disclosure of Grants and Subsidies	127 - 128
E National Treasury Appropriation Statements	
- Revenue and Expenditure (Standard Classification)	129 - 130
- Revenue and Expenditure (Municipal Vote Classification)	131 - 132
- Revenue and Expenditure (Revenue by Source and Expenditure by Type)	133 - 134
- Capital Expenditure by Vote, Standard Classification and Funding	135 - 136
- Cash Flows	137 - 138

# WALTER SISULU LOCAL MUNICIPALITY

## GENERAL INFORMATION

### NATURE OF BUSINESS

Walter Sisulu Local Municipality performs the functions as set out in the Constitution. (Act no 105 of 1996)

### LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998). The municipality provides functions as included in Schedule 4B and Schedule 5B of the Constitution. It should however be noted that the Water and Sanitation function, which is generally allocated to Category B municipalities, are performed by the District Municipality.

The Minister of Co-operative Governance and Traditional Affairs has requested the Municipal Demarcation Board to re-determine the boundaries of Maletswai and Gariep Local Municipalities as per section 122 of the Local Government Municipal Demarcation Board.

The Walter Sisulu Local Municipality was subsequently established by the amalgamation of the Maletswai Local Municipality and Gariep Local Municipality. Operations in the Walter Sisulu Local Municipality commenced on 6 August 2016, being the merger date.

### JURISDICTION

The Walter Sisulu Local Municipality includes the following areas:

Aliwal North	Burgersdorp	Venterstad
Jamestown	Steynsburg	Oviston

### MUNICIPAL MANAGER

FKP Ntlemeza

### CHIEF FINANCIAL OFFICER

MA Ngcobo

### REGISTERED OFFICE

1 Jan Greyling Street, Burgersdorp, 9744

### AUDITORS

Auditor General South Africa

### PRIMARY BANKER

First National Bank, Aliwal North

# WALTER SISULU LOCAL MUNICIPALITY

## GENERAL INFORMATION

### ATTORNEYS

Mabece Tilana Incorporated  
Horn & Kumm

### RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Municipal Planning and Performance Management Regulations  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Collective Agreements  
Infrastructure Grants  
SALBC Leave Regulations  
Municipal Budget and Reporting Regulations  
mSCOA Regulations  
Municipal Cost Containment Regulations, 2019 (Effective from 1 July 2019)

# WALTER SISULU LOCAL MUNICIPALITY

## APPROVAL OF FINANCIAL STATEMENTS

### MEMBERS OF COUNCIL

<u>Councillor</u>	<u>Position</u>	<u>Councillor</u>	<u>Position</u>
Cllr B Khweyiya	Mayor	Cllr Z Mangali	Ward 1 Councillor
Cllr N Mathetha	Speaker	Cllr Z Mqokrwana	Ward 2 Councillor
Cllr E Theron	PR Councillor	Cllr M Van Heerden	Ward 3 Councillor
Cllr VA Schoeman	PR Councillor	Cllr M Solani	Ward 4 Councillor
Cllr N Ngubo	PR Councillor	Cllr L Nkunzi	Ward 5 Councillor
Cllr M Jan	PR Councillor	Cllr ZE Masina	Ward 6 Councillor
Cllr DF Hartkopf	PR Councillor	Cllr M Mdumisa	Ward 7 Councillor
Cllr VD Davids	PR Councillor	Cllr X Mabusela	Ward 8 Councillor
Cllr M Lekobane	PR Councillor	Cllr D De Jongh	Ward 9 Councillor
Cllr M Van Heerden	PR Councillor	Cllr MW Mokhoabane	Ward 10 Councillor
Cllr Y Zweni	PR Councillor	Cllr KS Lange	Ward 11 Councillor

### APPROVAL OF ACCOUNTING OFFICER

I am responsible for the preparation of these annual financial statements period ended 30 June 2019, which are set out on pages 1 to 138 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

---

**FKP Ntlemeza**  
**Municipal Manager**

---

**Date**

# WALTER SISULU LOCAL MUNICIPALITY

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

	Notes	2019 R (Actual)	2018 R (Restated)
<b>ASSETS</b>			
<b>Current Assets</b>		<b>93 922 266</b>	<b>78 812 579</b>
Cash and Cash Equivalents	2	13 440 497	6 036 417
Receivables from exchange transactions	3	22 641 501	23 096 108
Receivables from non-exchange transactions	4	10 439 310	9 784 304
Operating Lease Asset	5	-	-
Taxes	6	47 013 502	39 824 639
Inventory	7	387 456	71 111
<b>Non-Current Assets</b>		<b>636 246 954</b>	<b>648 683 780</b>
Non-Current Investments	8	1 598 248	1 480 547
Investment Property	9	151 015 298	152 030 307
Property, Plant and Equipment	10.1	472 020 376	482 700 205
Property, Plant and Equipment - Capitalised Restoration Cost	10.2	7 322 681	7 788 156
Biological Assets	11	991 654	1 285 230
Heritage Assets	12	2 984 705	2 984 705
Intangible Assets	13	313 993	414 630
<b>Total Assets</b>		<b>730 169 220</b>	<b>727 496 359</b>
<b>Current Liabilities</b>		<b>295 240 269</b>	<b>242 320 051</b>
Annuity Loans	14.1	269 857	444 572
Hire Purchases	14.2	232 985	213 115
Consumer Deposits	15	2 331 077	2 216 978
Payables from exchange transactions	16	264 894 872	208 724 878
Unspent Conditional Government Grants	17	12 491 960	15 395 244
Current Employee benefits	18	14 125 118	14 430 863
Provisions	19	894 400	894 400
<b>Non-Current Liabilities</b>		<b>58 878 507</b>	<b>56 138 676</b>
Annuity Loans	14.1	1 800 061	1 933 650
Hire Purchases	14.2	82 979	297 163
Employee benefits	20	29 412 714	27 835 032
Non-Current Provisions	21	27 582 752	26 072 831
<b>Total Liabilities</b>		<b>354 118 776</b>	<b>298 458 727</b>
<b>NET ASSETS</b>		<b>376 050 445</b>	<b>429 037 633</b>
<b>COMMUNITY WEALTH</b>			
Accumulated Surplus	22	376 050 445	429 037 633
<b>TOTAL COMMUNITY WEALTH</b>		<b>376 050 445</b>	<b>429 037 633</b>

# WALTER SISULU LOCAL MUNICIPALITY

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2019

	Notes	2019 R (Actual)	2018 R (Restated)
<b>REVENUE</b>			
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>		<b>125 276 578</b>	<b>182 192 852</b>
<b>Taxation Revenue</b>		<b>23 113 584</b>	<b>19 842 848</b>
Property Rates	23	23 113 584	19 842 848
<b>Transfer Revenue</b>		<b>100 887 787</b>	<b>158 941 328</b>
Government Grants and Subsidies - Capital	24	13 408 390	29 317 616
Government Grants and Subsidies - Operating	24	72 479 397	74 683 771
Public Contributions and Donations	25	15 000 000	54 918 000
Donated Assets	26	-	21 942
<b>Other Revenue</b>		<b>1 275 207</b>	<b>3 408 676</b>
Fines	27	205 089	378 015
Actuarial Gains	28	1 051 793	2 874 386
Insurance Receipts		18 325	156 275
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>		<b>134 315 406</b>	<b>130 947 269</b>
<b>Operating Activities</b>		<b>134 315 406</b>	<b>130 947 269</b>
Service Charges	29	113 491 544	113 273 920
Rental of Facilities and Equipment	30	2 518 401	2 350 987
Interest Earned - external investments		1 089 788	1 807 654
Interest Earned - outstanding debtors	31	8 770 990	7 290 420
Licences and Permits	32	3 492 264	3 648 344
Agency Services	33	698 050	362 647
Other Income	34	4 254 369	2 213 296
<b>TOTAL REVENUE</b>		<b>259 591 984</b>	<b>313 140 121</b>
<b>EXPENDITURE</b>			
Employee related costs	35	84 557 655	84 601 298
Remuneration of Councillors	36	8 039 387	8 250 888
Debt Impairment	37	31 216 536	21 527 184
Depreciation and Amortisation	38	29 098 337	28 752 774
Repairs and Maintenance	39	3 513 400	4 609 695
Finance Charges	40	26 807 559	21 653 852
Bulk Purchases	41	88 502 282	82 544 340
Transfers and Grants	42	30 000	130 655
Operating Grant Expenditure	43	8 072 753	8 801 164
Actuarial Losses	44	289 293	-
Fair Value Adjustments	45	293 576	595 020
Other Expenditure	46	32 132 246	31 131 591
Loss on disposal of Fixed Assets		26 148	99 596
<b>TOTAL EXPENDITURE</b>		<b>312 579 172</b>	<b>292 698 058</b>
<b>NET DEFICIT FOR THE YEAR</b>		<b>(52 987 188)</b>	<b>20 442 063</b>

# WALTER SISULU LOCAL MUNICIPALITY

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDING 30 JUNE 2019

	ACCUMULATED SURPLUS R	TOTAL R
<b>Balance on 1 July 2017 - Previously Reported</b>	<b>357 814 388</b>	<b>357 814 388</b>
Prior Period Adjustments - Refer to note 47.14	50 781 181	50 781 181
<b>Restated Balance on 1 July 2017</b>	<b>408 595 569</b>	<b>408 595 569</b>
Net Surplus for the year	20 442 063	20 442 063
<b>Restated Balance on 30 June 2018</b>	<b>429 037 633</b>	<b>429 037 633</b>
Net Deficit for the year	(52 987 188)	(52 987 188)
<b>Balance on 30 June 2019</b>	<b>376 050 445</b>	<b>376 050 445</b>



# WALTER SISULU LOCAL MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2019

	Notes	2019 R (Actual)	2018 R (Restated)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property rates		17 980 157	21 124 568
Service charges		84 868 840	79 408 677
Other revenue		29 940 684	75 676 936
Government - operating		69 479 260	70 104 908
Government - capital		20 861 242	29 317 616
Interest		1 089 788	1 807 654
<b>Payments</b>			
Suppliers		(91 595 282)	(154 464 504)
Employees		(85 221 988)	(84 147 379)
Finance charges		(22 905 906)	(18 059 402)
Transfers and Grants		(30 000)	(130 655)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>48</b>	<b>24 466 796</b>	<b>20 638 420</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
<b>Receipts</b>			
Proceeds on Disposal of Fixed Assets		16 261	-
Increase in non-current investments		(117 701)	(111 709)
<b>Payments</b>			
Purchase of Property, Plant and Equipment		(16 342 210)	(35 020 949)
Purchase of Intangible Assets		(94 393)	(24 345)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(16 538 042)</b>	<b>(35 157 003)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
<b>Receipts</b>			
Increase in Consumer Deposits		114 098	34 310
<b>Payments</b>			
Loans repaid		(638 772)	(1 244 529)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(524 674)</b>	<b>(1 210 218)</b>
<b>NET INCREASE IN CASH HELD</b>		<b>7 404 080</b>	<b>(15 728 802)</b>
Cash and Cash Equivalents recognised on merger date		6 036 417	21 765 219
Cash and Cash Equivalents at the end of the year	<b>49</b>	13 440 497	6 036 417
<b>NET INCREASE IN CASH HELD</b>		<b>7 404 080</b>	<b>(15 728 802)</b>

# WALTER SISULU LOCAL MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

#### COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2019 R (Actual)	2019 R (Final Budget)	2019 R (Variance)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and Cash Equivalents	13 440 497	51 572 678	(38 132 181)
Consumer debtors	26 511 523	14 720 779	11 790 744
Other Receivables	53 582 789	(49 732 154)	103 314 943
Inventory	387 456	316 404	71 052
<b>Total current assets</b>	<b>93 922 266</b>	<b>16 877 707</b>	<b>77 044 559</b>
<b>Non current assets</b>			
Investments	1 598 248	1 368 838	229 410
Investment property	151 015 298	152 073 513	(1 058 215)
Property, plant and equipment	479 343 057	480 723 942	(1 380 885)
Biological Assets	991 654	1 285 230	(293 576)
Heritage Assets	2 984 705	2 984 705	-
Intangible Assets	313 993	331 942	(17 949)
<b>Total non current assets</b>	<b>636 246 954</b>	<b>638 768 170</b>	<b>(2 521 216)</b>
<b>TOTAL ASSETS</b>	<b>730 169 220</b>	<b>655 645 877</b>	<b>74 523 343</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowing	502 842	510 277	(7 435)
Consumer deposits	2 331 077	2 178 786	152 291
Trade and other payables	277 386 832	223 128 736	54 258 096
Provisions and Employee Benefits	15 019 518	894 400	14 125 118
<b>Total current liabilities</b>	<b>295 240 269</b>	<b>226 712 199</b>	<b>68 528 070</b>
<b>Non current liabilities</b>			
Borrowing	1 883 040	2 725 537	(842 497)
Provisions and Employee Benefits	56 995 466	59 004 192	(2 008 726)
<b>Total non current liabilities</b>	<b>58 878 507</b>	<b>61 729 729</b>	<b>(2 851 222)</b>
<b>TOTAL LIABILITIES</b>	<b>354 118 776</b>	<b>288 441 928</b>	<b>65 676 848</b>
<b>NET ASSETS</b>	<b>376 050 445</b>	<b>367 203 949</b>	<b>8 846 496</b>
<b>COMMUNITY WEALTH</b>			
Accumulated Surplus	376 050 445	367 203 949	8 846 496
<b>TOTAL COMMUNITY WEALTH</b>	<b>376 050 445</b>	<b>367 203 949</b>	<b>8 846 496</b>

Refer to note 50.2 for details of material variances.

# WALTER SISULU LOCAL MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

#### ADJUSTMENTS TO APPROVED BUDGET

	2019 R (Approved Budget)	2019 R (Adjustments)	2019 R (Final Budget)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and Cash Equivalents	1 254 788	50 317 890	51 572 678
Consumer debtors	32 438 276	(17 717 497)	14 720 779
Other Receivables	46 089 664	(95 821 818)	(49 732 154)
Inventory	332 825	(16 421)	316 404
<b>Total current assets</b>	<b>80 115 554</b>	<b>(63 237 847)</b>	<b>16 877 707</b>
<b>Non current assets</b>			
Investments	510 365	858 473	1 368 838
Investment property	153 159 502	(1 085 989)	152 073 513
Property, plant and equipment	496 854 417	(16 130 475)	480 723 942
Biological Assets	1 880 250	(595 020)	1 285 230
Heritage Assets	10 766 920	(7 782 215)	2 984 705
Intangible Assets	587 790	(255 848)	331 942
<b>Total non current assets</b>	<b>663 759 244</b>	<b>(24 991 074)</b>	<b>638 768 170</b>
<b>TOTAL ASSETS</b>	<b>743 874 798</b>	<b>(88 228 921)</b>	<b>655 645 877</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowing	240 678	269 599	510 277
Consumer deposits	2 226 012	(47 226)	2 178 786
Trade and other payables	259 431 749	(36 303 013)	223 128 736
Provisions and Employee Benefits	15 481 562	(14 587 162)	894 400
<b>Total current liabilities</b>	<b>277 380 000</b>	<b>(50 667 801)</b>	<b>226 712 199</b>
<b>Non current liabilities</b>			
Borrowing	2 286 278	439 259	2 725 537
Provisions and Employee Benefits	54 567 353	4 436 839	59 004 192
<b>Total non current liabilities</b>	<b>334 233 631</b>	<b>(45 791 703)</b>	<b>288 441 928</b>
<b>TOTAL LIABILITIES</b>	<b>334 233 631</b>	<b>(45 791 703)</b>	<b>288 441 928</b>
<b>NET ASSETS</b>	<b>409 641 167</b>	<b>(42 437 218)</b>	<b>367 203 949</b>
<b>COMMUNITY WEALTH</b>			
Accumulated Surplus	409 641 167	(42 437 218)	367 203 949
<b>TOTAL COMMUNITY WEALTH</b>	<b>409 641 167</b>	<b>(42 437 218)</b>	<b>367 203 949</b>

Refer to note 50.2 for details of material variances.

# WALTER SISULU LOCAL MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2019

#### COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2019 R (Actual)	2019 R (Final Budget)	2019 R (Variance)
<b>REVENUE BY SOURCE</b>			
Property rates	23 113 584	34 344 020	(11 230 436)
Service charges - electricity revenue	94 671 739	90 452 808	4 218 931
Service charges - refuse revenue	18 819 805	24 699 149	(5 879 344)
Rental of facilities and equipment	2 518 401	3 211 585	(693 184)
Interest earned - external investments	1 089 788	2 650 001	(1 560 213)
Interest earned - outstanding debtors	8 770 990	5 513 135	3 257 855
Fines	205 089	665 198	(460 109)
Licences and permits	3 492 264	5 879 920	(2 387 656)
Agency services	698 050	620 312	77 738
Government Grants and Subsidies - Operating	72 479 397	62 499 427	9 979 970
Other revenue	20 324 488	10 861 392	9 463 096
Gains on disposal of PPE	-	100 801	(100 801)
<b>TOTAL OPERATING REVENUE</b>	<b>246 183 594</b>	<b>241 497 748</b>	<b>4 685 846</b>
<b>EXPENDITURE BY TYPE</b>			
Employee related costs	84 557 655	87 040 533	(2 482 878)
Remuneration of councillors	8 039 387	7 784 971	254 416
Debt impairment	31 216 536	2 575 001	28 641 535
Depreciation & asset impairment	29 098 337	15 731 090	13 367 247
Finance charges	26 807 559	16 758 793	10 048 766
Bulk purchases	88 502 282	76 753 628	11 748 654
Grants and subsidies paid	30 000	335 216	(305 216)
Other expenditure and Materials	44 301 268	33 187 698	11 113 570
Loss on disposal of Fixed Assets	26 148	-	26 148
<b>TOTAL OPERATING EXPENDITURE</b>	<b>312 579 172</b>	<b>240 166 930</b>	<b>72 412 242</b>
<b>OPERATING SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>(66 395 578)</b>	<b>1 330 818</b>	<b>(67 726 396)</b>
Government Grants and Subsidies - Capital	13 408 390	23 801 000	(10 392 610)
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>(52 987 188)</b>	<b>25 131 818</b>	<b>(78 119 006)</b>

Refer to note 50.2 for details of material variances.

# WALTER SISULU LOCAL MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2019

#### ADJUSTMENTS TO APPROVED BUDGET

	2019 R (Approved Budget)	2019 R (Adjustments)	2019 R (Final Budget)
<b>REVENUE BY SOURCE</b>			
Property rates	38 548 980	(4 204 960)	34 344 020
Service charges - electricity revenue	98 609 548	(8 156 740)	90 452 808
Service charges - refuse revenue	27 990 113	(3 290 964)	24 699 149
Rental of facilities and equipment	3 309 321	(97 736)	3 211 585
Interest earned - external investments	2 650 000	1	2 650 001
Interest earned - outstanding debtors	5 513 130	5	5 513 135
Fines	662 830	2 368	665 198
Licences and permits	5 880 578	(658)	5 879 920
Agency services	3 372 242	(2 751 930)	620 312
Government Grants and Subsidies - Operating	60 456 000	2 043 427	62 499 427
Other revenue	9 242 019	1 619 373	10 861 392
Gains on disposal of PPE	100 801	-	100 801
<b>TOTAL OPERATING REVENUE</b>	<b>256 335 562</b>	<b>(14 837 814)</b>	<b>241 497 748</b>
<b>EXPENDITURE BY TYPE</b>			
Employee related costs	95 188 236	(8 147 703)	87 040 533
Remuneration of councillors	8 833 407	(1 048 436)	7 784 971
Debt impairment	2 575 000	1	2 575 001
Depreciation & asset impairment	16 631 090	(900 000)	15 731 090
Finance charges	459 107	16 299 686	16 758 793
Bulk purchases	77 868 000	(1 114 372)	76 753 628
Grants and subsidies paid	374 684	(39 468)	335 216
Other expenditure and Materials	36 275 506	(3 087 808)	33 187 698
<b>TOTAL OPERATING EXPENDITURE</b>	<b>238 205 029</b>	<b>1 961 901</b>	<b>240 166 930</b>
<b>OPERATING SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>18 130 532</b>	<b>(16 799 714)</b>	<b>1 330 818</b>
Government Grants and Subsidies - Capital	23 801 000	-	23 801 000
<b>NET SURPLUS FOR THE YEAR</b>	<b>41 931 532</b>	<b>(16 799 714)</b>	<b>25 131 818</b>

Refer to note 50.2 for details of material variances.

# WALTER SISULU LOCAL MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2019

#### COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2019 R (Actual)	2019 R (Final Budget)	2019 R (Variance)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property rates	17 980 157	37 778 400	(19 798 243)
Service charges	84 868 840	125 988 520	(41 119 681)
Other revenue	29 940 684	25 487 959	4 452 725
Government - operating	69 479 260	55 894 000	13 585 260
Government - capital	20 861 242	23 801 000	(2 939 758)
Interest	1 089 788	8 163 130	(7 073 342)
<b>Payments</b>			
Suppliers and Employees	(176 817 270)	(237 606 682)	60 789 412
Finance charges	(22 905 906)	(5 430 030)	(17 475 876)
Transfers and Grants	(30 000)	(8 375 728)	8 345 728
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>24 466 796</b>	<b>25 700 569</b>	<b>(1 233 773)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Receipts</b>			
Proceeds on disposal of PPE	16 261	100 801	(84 540)
Increase in non-current investments	(117 701)	-	(117 701)
<b>Payments</b>			
Capital assets	(16 436 602)	(25 601 000)	9 164 398
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(16 538 042)</b>	<b>(25 500 199)</b>	<b>8 962 157</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Receipts</b>			
Increase in consumer deposits	114 098	100 000	14 098
<b>Payments</b>			
Repayment of borrowing	(638 772)	(211 095)	(427 677)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(524 674)</b>	<b>(111 095)</b>	<b>(413 578)</b>
<b>NET INCREASE IN CASH HELD</b>	<b>7 404 080</b>	<b>89 274</b>	<b>7 314 805</b>
Cash and Cash Equivalents at the beginning of the year	6 036 417	21 658 077	(15 621 660)
Cash and Cash Equivalents at the end of the year	13 440 497	21 747 351	(8 306 854)

Refer to note 50.2 for details of material variances.

# WALTER SISULU LOCAL MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2019

#### ADJUSTMENTS TO APPROVED BUDGET

	2019 R (Approved Budget)	2019 R (Adjustments)	2019 R (Final Budget)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property rates	37 778 400	-	37 778 400
Service charges	125 988 520	-	125 988 520
Other revenue	25 487 959	-	25 487 959
Government - operating	55 894 000	-	55 894 000
Government - capital	23 801 000	-	23 801 000
Interest	8 163 130	-	8 163 130
<b>Payments</b>			
Suppliers and Employees	(237 606 682)	-	(237 606 682)
Finance charges	(5 430 030)	-	(5 430 030)
Transfers and Grants	(8 375 728)	-	(8 375 728)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>25 700 569</b>	<b>-</b>	<b>25 700 569</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Receipts</b>			
Proceeds on disposal of PPE	100 801	-	100 801
<b>Payments</b>			
Capital assets	(25 601 000)	-	(25 601 000)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(25 500 199)</b>	<b>-</b>	<b>(25 500 199)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Receipts</b>			
Increase in consumer deposits	100 000	-	100 000
<b>Payments</b>			
Repayment of borrowing	(211 095)	-	(211 095)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(111 095)</b>	<b>-</b>	<b>(111 095)</b>
<b>NET INCREASE IN CASH HELD</b>	<b>89 274</b>	<b>-</b>	<b>89 274</b>
Cash and Cash Equivalents at the beginning of the year	21 658 077	-	21 658 077
Cash and Cash Equivalents at the end of the year	21 747 351	-	21 747 351

Refer to note 50.2 for details of material variances.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### **1 ACCOUNTING POLICIES**

#### **1.01 BASIS OF PREPARATION**

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – November 2013) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

Assets, liabilities, revenue and expenses have not been offset, except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

#### **1.02 TRANSITIONAL PROVISIONS**

The Municipality resolved to take advantage of the following transitional provisions:

In term of Directive 7 - "The Application of Deemed Cost on the Adoption of Standards of GRAP", the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible Assets where the acquisition cost of an asset could not be determined.

#### **1.03 PRESENTATION CURRENCY**

The financial statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

#### **1.04 GOING CONCERN ASSUMPTION**

These financial statements have been prepared on a going concern basis.



# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.05 COMPARATIVE INFORMATION

#### 1.05.1 Prior year comparatives

When the presentation or classification of items in the financial statements are amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

#### 1.05.2 Amended Accounting Policies

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements.

No significant amendments were made to the accounting policy in the current year.

### 1.06 MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

### 1.07 BUDGET INFORMATION

Budget information is presented on the accrual basis and is based on the same fiscal period as the actual

The Statement of Comparison of Budget and Actual Amounts includes the comparison between the approved and final budget amounts, as well as a comparison between the actual amounts and final budget amounts.

The disclosure of comparative information in respect of the previous period is not required by the Standards of GRAP.

### 1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

#### 1.08.1 Effective GRAP standards

Where a Standard of GRAP has been issued but is not yet effective, the Municipality may resolve to early adopt such a Standard of GRAP if an effective date has been determined by the Minister of Finance.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

The Municipality resolved to early adopt the following amended Standards of GRAP which were issued but are not yet effective:

Standard	Description	Effective Date
GRAP 20	Related Party Disclosures	1 April 2019
GRAP 108	Statutory Receivables	1 April 2019

The effect of the above-mentioned Standards of GRAP which were early adopted is considered insignificant. Accounting policies for these Standards of GRAP were already formulated in the prior year's financial statements. The only effect is additional disclosure requirements.

The Municipality resolved to early adopt the following amended Standards of GRAP which were issued but are not yet effective:

Standard	Description	Effective Date
GRAP 1 (2018)	Presentation of Financial Statements	1 April 2020
GRAP 21 (2018)	Impairment of Non-cash-generating Assets	1 April 2020
GRAP 26 (2018)	Impairment of Cash-generating Assets	1 April 2020
GRAP 104 (2018)	Financial Instruments	1 April 2020

The effect of the above-mentioned amended Standards of GRAP which were early adopted is considered insignificant. The amendments to the Standards of GRAP mainly relate to the clarification of accounting principles.

The Municipality further resolved not to early adopt the following Standards of GRAP and Interpretations of the Standard of GRAP which was issued but is not yet effective:

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### **1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)**

#### **1.08.1 GRAP 18 - Segment Reporting (effective 1 April 2020)**

The objective of this Standard is to establish principles for reporting financial information by segments.

Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will be not be significant.

#### **1.08.2 GRAP 32 - Service Concession Arrangements: Grantor (effective 1 April 2019)**

The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.

Preliminary investigations indicated that, other than possibly additional disclosure, the impact of the Standards on the financial statements will be not be significant.

#### **1.08.3 GRAP 34 - Separate Financial Statements (effective 1 April 2020)**

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

No significant impact is expected as the Municipality has no investments in any entities.

#### **1.08.4 GRAP 35 - Consolidated Financial Statements (effective 1 April 2020)**

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

No significant impact is expected as the Municipality does not control any entities.

#### **1.08.5 GRAP 36 - Investments in Associates and Joint Ventures (effective 1 April 2020)**

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

No significant impact is expected as the Municipality does not have investments in any associates or joint ventures.

#### **1.08.6 GRAP 37 - Joint Arrangements (effective 1 April 2020)**

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

No significant impact is expected as the Municipality does not have an interest in any arrangements that are controlled jointly.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### **1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)**

#### **1.08.7 GRAP 38 - Disclosure of Interests in Other Entities (effective 1 April 2020)**

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- (a) the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- (b) the effects of those interests on its financial position, financial performance and cash flows.

No significant impact is expected as the Municipality does not have an interest in any entities, associates, joint ventures or joint arrangements.

#### **1.08.8 GRAP 109 - Accounting by Principles and Agents (effective 1 April 2019)**

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.

No significant impact is expected as the Municipality's current treatment is already in line with the Standard's requirements.

#### **1.08.9 GRAP 110 - Living and Non-living Resources (effective 1 April 2020)**

The objective of this Standard is to prescribe the:

- (a) recognition, measurement, presentation and disclosure requirements for living resources; and
- (b) disclosure requirements for non-living resources.

No significant impact is expected as the Municipality does not have any living resources. Preliminary investigations indicated that the Municipality's non-living resources do not fall within the scope of this Standard.

#### **1.08.10 iGRAP 1 (Revised) - Applying The Probability Test On Initial Recognition Of Revenue (effective 1 April 2020)**

This Interpretation addresses the manner in which an entity applies the probability test on initial recognition of:

- (a) exchange revenue in accordance with GRAP 9; and
- (b) non-exchange revenue in accordance with GRAP 23.

No significant impact is expected as the Municipality's current treatment is already to a large extent in line with the Interpretation's requirements.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### **1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)**

#### **1.08.11** *iGRAP 17 - Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset (effective 1 April 2019)*

This Interpretation provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

Preliminary investigations indicated that, other than possibly additional disclosure, the impact of the Standards on the financial statements will be not be significant.

#### **1.08.11** *iGRAP 18 - Recognition and Derecognition of Land (effective 1 April 2019)*

This Interpretation of the Standards of GRAP provides guidance on when an entity should recognise and derecognise land as an asset in its financial statements.

No significant impact is expected as the Municipality's current treatment is already in line with the Interpretation's requirements.

#### **1.08.12** *iGRAP 19 - Liabilities to Pay Levies (effective 1 April 2019)*

This Interpretation provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

No significant impact is expected as the Municipality's current treatment is already in line with the Interpretation's requirements.

#### **1.08.13** *iGRAP 20 - Accounting for Adjustments to Revenue (effective 1 April 2020)*

This Interpretation clarifies the accounting for adjustments to:

- (a) exchange and non-exchange revenue charged in terms of legislation or similar means; and
- (b) interest and penalties that arise from revenue already recognised.

No significant impact is expected as the Municipality's current treatment is already in line with the Interpretation's requirements.

### **1.08.2 Effective dates not yet determined**

Where a Standard of GRAP has been issued but not yet effective and the Minister of Finance has not yet determined an effective date, the Municipality may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event.

All Standards of GRAP currently issued, have effective dates.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### **1.09 INVESTMENT PROPERTY**

#### **1.09.1 Initial Recognition**

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, for administration purposes, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

Investment property is recognised as an asset when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially measured at cost on its acquisition date. The cost of investment property is the purchase price and other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an investment property is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition and any other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality. The cost of self-constructed investment property is the cost at date of completion. Transfers are made to or from investment property only when there is a change in use.

Where investment property is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

#### **1.09.2 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

#### **1.09.3 Depreciation – Cost Model**

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The depreciation method is reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.09 INVESTMENT PROPERTY (CONTINUED)

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate accounted for on the a prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

	YEARS
Buildings	100
Land	Indefinite

#### 1.09.4 Impairment

Investment property is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

#### 1.09.5 Derecognition

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance in the period of the retirement or disposal.

Compensation from third parties for items of investment property that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

### 1.10 PROPERTY, PLANT AND EQUIPMENT

#### 1.10.1 Initial Recognition

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Items of property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment.

#### 1.10.2 Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

#### 1.10.3 Depreciation

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate are accounted for on a prospective basis.



# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The annual depreciation rates are based on the following estimated useful lives:

	YEARS		YEARS
<b>Infrastructure</b>		<b>Land and Buildings</b>	
Roads and Stormwater	7 - 50	Buildings	100
Electricity	20 - 45	Land	Indefinite
<b>Community Assets</b>		<b>Other Assets</b>	
Recreation Grounds and Facilities	25	Office Equipment and tools	1 - 20
Cemetery	25	Motor vehicles and implements	5 - 15
<b>Lease assets</b>			
Office Equipment	3 - 5		

#### 1.10.4 Impairment

Property, plant and equipment is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

#### 1.10.5 Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.11 BIOLOGICAL ASSETS

#### 1.11.1 Initial Recognition

A biological asset is a living animal or plant, while agricultural produce is the harvested product of the biological asset.

A biological asset or agricultural produce is recognised when:

- (a) the Municipality controls the asset as a result of a past event;
- (b) it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality;
- (c) and the fair value or cost of the asset can be measured reliably.

Biological assets are initially measured at their fair value less cost to sell.

Where the Municipality acquires a biological asset through a non-exchange transaction, the biological asset is also measured at its fair value less cost to sell.

#### 1.11.2 Subsequent Measurement

Biological assets are measured at their fair value less cost to sell.

The fair value of game is determined based on market prices of livestock of similar age, breed, and genetic merit in the local industry. Game is considered to be consumable biological assets.

A gain or loss arising on initial recognition of biological assets at fair value less cost to sell is recognised in the Statement of Financial Performance for the period in which it arises.

Agricultural produce harvested from the Municipality's biological assets is measured at its fair value less costs to sell at the point of harvest.

### 1.12 HERITAGE ASSETS

#### 1.12.1 Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date. The cost of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.12 HERITAGE ASSETS (CONTINUED)

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where a heritage asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

#### 1.12.2 Subsequent Measurement – Cost Model

Heritage assets are carried at its cost less any accumulated impairment losses.

#### 1.12.3 Depreciation

Heritage assets are not depreciated.

#### 1.12.4 Impairment

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

#### 1.12.5 Derecognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset.

The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

Compensation from third parties for heritage assets that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.13 INTANGIBLE ASSETS

#### 1.13.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

The Municipality recognises an intangible asset only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost on its acquisition date. The cost of an intangible asset is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost is measured at its fair value at the date of acquisition.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost is measured at its fair value at the date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Internally generated intangible assets are subject to a strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) its intention to complete the intangible asset and use or sell it;
- (c) its ability to use or sell the intangible asset;
- (d) how the intangible asset will generate probable future economic benefits or service potential;
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

#### 1.13.2 Subsequent Measurement - Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.13 INTANGIBLE ASSETS (CONTINUED)

#### 1.13.3 Amortisation

The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is still subject to an annual impairment test.

Amortisation of an intangible with a finite life asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Amortisation ceases at the date that the asset is derecognised.

Amortisation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the intangible assets. The amortisation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The residual value of an intangible asset with a finite useful life is considered to be zero.

The amortisation period and amortisation method are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

The annual amortisation rates are based on the following estimated useful lives:

	Years
Computer Software	5 - 10

#### 1.13.4 Impairment

Intangible assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

#### 1.13.5 Derecognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.14 NON-CURRENT INVESTMENTS

Investments include only fixed deposits invested in registered commercial banks.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

### 1.15 IMPAIRMENT OF NON-MONETARY ASSETS

An impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.

Cash-generating assets are assets held with the primary objective of generating a commercial return. Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the asset.

#### 1.15.1 Recoverable amount of Cash-generating assets

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

The best evidence of fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

#### 1.15.2 Recoverable amount of Non-cash-generating assets

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.15 NON-CURRENT INVESTMENTS (CONTINUED)

#### 1.15.3 Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation decrease in accordance with that Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### 1.15.4 Reversal of an impairment loss

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

A reversal of an impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation increase in accordance with that Standard of GRAP.

After the reversal of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### 1.16 INVENTORIES

#### 1.16.1 Initial Recognition

Inventories are assets:

- (a) in the form of materials or supplies to be consumed in the production process;
- (b) in the form of materials or supplies to be consumed or distributed in the rendering of services;
- (c) held for sale or distribution in the ordinary course of operations; or
- (d) in the process of production for sale or distribution.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.16 INVENTORIES (CONTINUED)

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably.

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventories are acquired through a non-exchange transaction, the cost is measured at the fair value as at the date of acquisition plus any other costs in bringing the inventories to their current location and condition.

#### 1.16.2 Subsequent Measurement

When inventories are sold, exchanged or distributed the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when the goods are distributed, or related service is rendered.

Inventories are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. Current replacement cost is the cost the Municipality would incur to acquire the asset on the reporting date.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories is recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The basis of allocating cost to inventory items is the weighted average method.

Cost of land held for sale is assigned by using specific identification of their individual costs.



# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.17 EMPLOYEE BENEFITS

Defined-contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year during which they become payable.

Defined-benefit plans are post-employment benefit plans other than defined-contribution plans.

#### 1.17.1 Post-Retirement Benefits

The Municipality provides retirement benefits for its employees and councillors. Retirement benefits consist of defined-contribution plans and defined-benefit plans.

##### 1.17.1.1 *Multi-employer defined benefit plans*

The municipality contributes to various National- and Provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. These defined benefit funds are actuarially valued on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

##### 1.17.1.2 *Post Retirement Medical Obligations*

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined. The plan is unfunded.

Contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability is calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.17 EMPLOYEE BENEFITS (CONTINUED)

#### 1.17.2 Long-term Benefits

##### 1.17.2.1 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

#### 1.17.3 Short-term Benefits

##### 1.17.3.1 Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at reporting date and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

##### 1.17.3.2 Staff Bonuses Accrued

The liability for staff bonuses is based on the accrued bonus for each employee at reporting date.

##### 1.17.3.3 Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

### 1.18 PROVISIONS

A provision is a liability of uncertain timing or amount. Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.18 PROVISIONS (CONTINUED)

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when it is virtually certain that reimbursement will be received if the Municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement will not exceed the amount of the provision. In the Statement of Financial Performance, the expense relating to a provision may be presented net of the amount recognised for a reimbursement.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

### 1.19 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### **1.19 LEASES (CONTINUED)**

#### **1.19.1 Municipality as Lessee**

##### *1.19.1.1 Finance Leases*

At the commencement of the lease term, the Municipality recognises assets acquired under finance leases as assets and the associated lease obligations as liabilities in the Statement of Financial Position.

At the inception of the lease, the assets and liabilities are recognised at the lower of the fair value of the leased property and the present value of the minimum lease payments. The discount rate to be used in calculating the present value of the minimum lease payment is the interest rate implicit in the lease. If the rate implicit to the lease is not available the Municipality's incremental borrowing rate is used. Any initial direct costs of the Municipality are added to the amount recognised as an asset.

Subsequent to initial recognition, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents, if any, are charged as expenses to the Statement of Financial Performance in the periods in which they are incurred. The leased assets are accounted for in accordance with the stated accounting policies applicable to the assets.

#### **1.19.2 Municipality as Lessor**

##### *1.19.2.1 Operating Leases*

Operating lease revenue is recognised in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. The difference between the straight-lined revenue and actual payments received will give rise to an asset.

### **1.20 FINANCIAL INSTRUMENTS**

#### **1.20.1 Initial Recognition**

Financial instruments (financial assets and financial liabilities) are recognised on the Municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

Financial instruments are initially recognised at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.20 FINANCIAL INSTRUMENTS

#### 1.20.2 Subsequent Measurement

Financial instruments are categorised as follow:

- (a) **Financial instruments at amortised cost** are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current assets or current liabilities, except for maturities greater than 12 months, which are classified as non-current. After initial recognition, both financial assets and financial liabilities are measured at amortised cost, using the effective interest rate method. Financial assets are also subject to an impairment review.
- (b) **Financial instruments at cost** are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. Both financial assets and financial liabilities are subsequently measured at cost. Financial assets are subject to an impairment review.
- (c) **Financial instruments at fair value** comprise of financial assets or financial liabilities that are:
  - (i) derivatives;
  - (ii) combined instruments that are designated at fair value;
  - (iii) instruments held for trading;
  - (iv) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
  - (v) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Both, financial assets and financial liabilities are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

#### 1.20.3 Impairment and uncollectability of financial assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of financial assets.

##### 1.20.3.1 Financial assets measured at amortised cost

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Cash flows relating to short-term financial assets are not discounted where the effect of discounting is immaterial. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.20 FINANCIAL INSTRUMENTS (CONTINUED)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment is reversed by adjusting an allowance account. The amount of the reversal is recognised in Statement of Financial Performance.

#### 1.20.3.2 *Financial assets measured at cost*

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses is not be reversed.

### 1.20.4 **Derecognition of financial instruments**

#### 1.20.4.1 *Financial assets*

The Municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Financial assets (receivables) are also derecognised when Council approves the write-off of financial assets due to non-recoverability.

If the Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

#### 1.20.4.2 *Financial liabilities*

The Municipality derecognises financial liabilities when the Municipality's obligations are discharged, cancelled or they expire.

The Municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

### 1.20.5 **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.21 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

#### 1.21.1 Initial Recognition

Statutory receivables are recognised when the related revenue (exchange or non-exchange revenue) is recognised or when the receivable meets the definition of an asset. The Municipality initially measure statutory receivables at their transaction amount.

#### 1.21.2 Subsequent Measurement

The Municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is subsequently changed to reflect any interest or other charges that may have accrued on the receivable, less any impairment losses and amounts derecognised.

#### 1.21.3 Impairment and uncollectability of statutory receivables

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired.

If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

#### 1.21.3 Derecognition

The Municipality derecognises a statutory receivable when the rights to the cash flows from the receivable are settled, expire or are waived or the Municipality transfers the receivable and substantially all the risks and rewards of ownership of the receivable to another entity.

When the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of receivable to another entity, the Municipality derecognises the receivable and recognises separately any rights and obligations created or retained in the transfer.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.22 CASH AND CASH EQUIVALENTS

Cash includes cash on hand, cash held with banks, and call deposits. Cash equivalents are short-term highly liquid investments with registered banking institutions with maturities of three months or less from inception, readily convertible to cash without significant change in value.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred in the Statement of Financial Performance.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any bank overdrafts.

### 1.23 RECEIVABLES

Receivables are recognised initially at fair value, which approximates amortised cost less provision for impairment. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. An estimate is made for impairment of receivables, based on past default experience of all outstanding amounts at reporting date.

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the Statement of Financial Performance.

### 1.24 TAXES (VALUE ADDED TAX)

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included in the Statement of Financial Position. The Municipality accounts for value-added tax (VAT) on the payment basis.

### 1.25 PAYABLES AND ANNUITY LOANS

Payables and annuity loans are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

### 1.26 CONSUMER DEPOSITS

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.



# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.27 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND UNSPENT PUBLIC CONTRIBUTIONS

Grants, transfers and donations received or receivable are recognised as assets when the resources that have been transferred to the Municipality meet the definition and criteria for recognition as assets.

Conditional grants, transfers and donations are recognised as revenue to the extent that the Municipality has complied with the conditions embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the conditions have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

The liability recognised to the extent that the conditions associated with the grant, transfer or donation have not been met, always has to be cash-backed. The cash which backs up the liability is invested as a individual investment or part of the general investments of the Municipality until it is utilised.

Interest earned on investments of grants, transfers and donations are treated in accordance with conditions as stipulated in the agreement. If it is payable to the grantor it is recorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

### 1.28 REVENUE

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the Municipality has no intention of collecting this revenue. Where the Municipality has no intention of collecting the revenue, rebates and discounts are offset against the related revenue. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

#### 1.28.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.28 REVENUE (CONTINUED)

#### 1.28.1.1 *Taxation Revenue*

Taxation revenue comprises of property rates. Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

#### 1.28.1.2 *Transfer Revenue*

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants, transfers and donations without any conditions attached are recognised as revenue when the asset is recognised.

#### 1.28.1.3 *Fines*

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued and collected by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued or collected by other government institutes.

#### 1.28.1.4 *Insurance Receipts*

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

#### 1.28.1.5 *Unclaimed deposits*

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.28 REVENUE (CONTINUED)

#### 1.28.1.6 *Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure*

Income from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the MFMA (Act 56 of 2003), and is recognised upon the recovery thereof from the responsible party.

#### 1.28.1.7 *Services in-kind*

Services in-kind include services provided by individuals to the Municipality at no charge or where the Municipality has the right to use assets at no charge.

The Municipality's recognises services in-kind that are significant to its operations as assets and recognises the related revenue when it is probable that the future economic benefits or service potential will flow to the Municipality and the fair value of the assets can be measured reliably.

When the criteria for recognition is satisfied, services in-kind are recognised at their fair value as at the date of acquisition.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the criteria for recognition, the Municipality only disclose the nature and type of services in-kind received during the reporting period.

#### 1.28.1.8 *Contributed Assets*

Contributed assets are recognised at fair value when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

### 1.28.2 **Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

#### 1.28.2.1 *Service Charges*

Service Charges are levied in terms of approved tariffs.

Service charges relating to electricity is based on consumption and a basic charge as per the approved tariffs. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created, based on consumption history. The provisional estimates of consumption are recognised as revenue when invoiced, except at reporting date when estimates of consumption up to the reporting date are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.28 REVENUE (CONTINUED)

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at reporting date is recognised as a liability under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

#### 1.28.2.2 *Investment income*

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

#### 1.28.2.3 *Rental income*

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

#### 1.28.2.4 *Income from Agency Services*

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services.

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

#### 1.28.2.5 *Other Tariffs*

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

#### 1.28.2.6 *Sale of goods*

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- (a) The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- (b) The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- (c) The amount of revenue can be measured reliably.
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.28 REVENUE (CONTINUED)

#### 1.28.2.7 *Deferred payment*

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

### 1.29 BORROWING COSTS

Borrowing costs that are incurred by the Municipality are expensed in the Statement of Financial Performance in the period during which they are incurred, regardless of how the borrowings are applied.

### 1.30 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.31 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.32 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.33 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

### 1.34 CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

### 1.35 EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- (a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- (b) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

### 1.36 RELATED PARTIES

The Municipality regards a related party as a person or an entity with the ability to control the Municipality either individually or jointly, or the ability to exercise significant influence over the Municipality, or vice versa.

Management is regarded as a related party and comprises the Councillors, Executive Mayor, Deputy Mayor, Speaker, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.36 RELATED PARTIES (CONTINUED)

A close family member of management is also considered to be related party. A person is considered to be a close member of the family of another person if they are married or live together in a relationship similar to a marriage or are separated by no more than two degrees of natural or legal consanguinity or affinity.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms, are disclosed.

### 1.37 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

#### 1.37.1 Application of Directive 7

For deemed cost applied to Property, Plant and Equipment as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### **1.37 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)**

#### **1.37.2 Impairment of Receivables**

The calculation in respect of the impairment of receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

#### **1.37.3 Useful lives and residual values**

The useful lives of assets are based on management's estimates. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

The estimated residual values of assets are also based on management's judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

#### **1.37.4 Impairment of non-monetary assets**

Non-monetary assets can include, but is not limited to, Property, Plant and Equipment, Investment Property, Intangible assets and Heritage assets.

The Municipality is not a profit-oriented entity, as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure continued financial sustainability. No profit element is included in the determination of a tariff. As such, management has determined that the Municipality does not control assets that meet the definition of cash-generating assets and that the Standard of GRAP on Impairment of Non-cash-generating Assets will apply to all assets of the Municipality.

The calculation in respect of the impairment of non-monetary assets is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This calculation will only be performed if there is an indication of an impairment.

Impairment charges relating to capitalised restoration costs are linked to the portion of landfill site being utilised in the year under review.

#### **1.37.5 Post-Retirement and Long-term Benefits**

The cost of post retirement medical obligations and long-service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.



# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### **1.37 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)**

#### **1.37.6 Provisions and Contingent Liabilities**

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. The discount rate used to calculate the effect of time value of money is linked to the index for earthworks as published by Statistics South Africa.

#### **1.37.7 Financial assets and liabilities**

The classification of financial assets and liabilities, into categories, is based on judgement by management. In making the judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in the Standard of GRAP on Financial Instruments.

#### **1.37.8 Revenue Recognition**

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as prescribed in the Standard of GRAP on Revenue from Exchange Transactions and Standard of GRAP on Revenue from Non-Exchange Transactions. Specifically, when goods are sold, whether the significant risks and rewards of ownership of the goods have been transferred to the buyer and when services are rendered, whether the service has been performed.

#### **1.37.9 Revenue Recognition**

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

### **1.38 MERGERS**

A merger is the establishment of a new combined Municipality in which none of the former Municipalities obtain control over any other and no acquirer can be identified.

As of the merger date, the Municipality recognises all the assets acquired and liabilities assumed from the former municipalities. The assets acquired and liabilities assumed are measured at their carrying amounts. The difference between the carrying amounts of the assets acquired and the liabilities assumed, is recognised in accumulated surplus.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 1.38 MERGERS

Any adjustments made to the carrying amounts as a result of errors in the former municipalities' records, are also recognised in accumulated surplus.

Where the former municipalities applied a different basis of accounting, the new combined Municipality recognises the assets acquired and the liabilities assumed of the former municipalities on the merger date at their existing carrying amounts and subsequently adjust it only as a result of conforming with the combined Municipality's accounting policies. Where management is of the opinion that the conforming of accounting policies as on merger date, rather than subsequently to merger date, will be more beneficial to the users of the financial statements, it will state this fact and disclose the items effected as on merger date.

The Standard of GRAP on Mergers allows for a two year measurement period from merger date. Where the accounting of merger items are incomplete at the reporting period, provisional amounts are recorded in the financial statements.

Assets required and liabilities assumed in the merger are subsequently measured in accordance with the applicable Standards of GRAP applied by the Municipality.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<b>2 CASH AND CASH EQUIVALENTS</b>		
Current Accounts	4 422 405	5 129 113
Balance Previously Reported		4 373 903
Prior Period Adjustment - Refer to note 47.01		755 210
Call Investments and Notice Deposits	8 999 828	889 040
Balance Previously Reported		883 032
Prior Period Adjustment - Refer to note 47.01		6 008
Cash Floats	18 264	18 264
<b>Total</b>	<b>13 440 497</b>	<b>6 036 417</b>
Due to the short term nature of cash deposits, all balances included above is in line with their fair value.		
Cash and Cash Equivalents are held to support the following commitments:		
Unspent Conditional Grants	12 491 960	15 395 244
Committed for DBSA loan	288 838	271 706
Working Capital Requirements/(Shortfall)	659 699	(9 630 533)
<b>Total</b>	<b>13 440 497</b>	<b>6 036 417</b>
<b>Primary Bank Account</b>		
First National Bank - Aliwal North Branch - Account Number 6247 6326 965		
Bank Statement Balance - Opening Balance	3 078 502	1 450 787
Bank Statement Balance - Closing Balance	739 603	3 078 502
Cashbook Balance - Opening Balance	3 500 171	1 479 413
Cashbook Balance - Closing Balance	1 380 783	3 500 171
<b>Other Current Accounts</b>		
ABSA Bank - Aliwal North Branch - Account Number 4053 40 8352		
Bank Statement Balance - Opening Balance	6 445	7 586
Bank Statement Balance - Closing Balance	-	6 445
Cashbook Balance - Opening Balance	6 445	7 586
Cashbook Balance - Closing Balance	-	6 445

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<b>2 CASH AND CASH EQUIVALENTS (CONTINUED)</b>		
ABSA Bank - Aliwal North Branch - Account Number 1750 14 1125		
Bank Statement Balance - Opening Balance	22 638	8 364
Bank Statement Balance - Closing Balance	20 301	22 638
Cashbook Balance - Opening Balance	22 638	8 364
Cashbook Balance - Closing Balance	20 301	22 638
ABSA Bank - Aliwal North Branch - Account Number 4059 12 9037		
Bank Statement Balance - Opening Balance	6 661	7 654
Bank Statement Balance - Closing Balance	-	6 661
Cashbook Balance - Opening Balance	6 661	7 654
Cashbook Balance - Closing Balance	-	6 661
ABSA Bank - Burgersdorp Branch - Account Number 1800 22 0161		
Bank Statement Balance - Opening Balance	1 595 198	279 701
Bank Statement Balance - Closing Balance	3 021 321	1 595 198
Cashbook Balance - Opening Balance	1 595 198	280 181
Cashbook Balance - Closing Balance	3 021 321	1 595 198
There are no overdraft facility at any of the bank accounts.		
There are no guarantees held on any of the bank accounts.		
<b>Call Investments and Notice Deposits</b>		
Call Investments and Notice Deposits consist out of the following accounts:		
ABSA 32 Day Notice - Account Number 92 7883 5880	8 590 867	455 429
ABSA Call Account - Account Number 92 7435 2868	288 838	271 706
First National Bank Call Account - Account Number 62 4822 13247	9 657	53 297
ABSA Call Account - Account Number 90 5996 7363	100 678	94 912
ABSA Call Account - Account Number 92 7283 1416	-	4 205
ABSA 32 Day Notice - Account Number 90 6448 9631	7 510	7 280
ABSA 32 Day Notice - Account Number 50 6434 4937	2 278	2 212
<b>Total</b>	<b>8 999 828</b>	<b>889 040</b>

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 3 RECEIVABLES FROM EXCHANGE TRANSACTIONS

30 JUNE 2019

	Gross Balance R	Allowance for Impairment R	Net Receivable R
<b>Service Receivables</b>	<b>124 570 347</b>	<b>101 928 846</b>	<b>22 641 501</b>
Electricity	43 104 283	25 806 339	17 297 944
Refuse	61 597 788	57 330 663	4 267 125
Other Arrears	19 868 276	18 791 844	1 076 433
<b>Total</b>	<b>124 570 347</b>	<b>101 928 846</b>	<b>22 641 501</b>

30 JUNE 2018

	Gross Balance R	Allowance for Impairment R	Net Receivable R
<b>Service Receivables</b>	<b>105 178 615</b>	<b>82 082 507</b>	<b>23 096 108</b>
Electricity	33 874 892	16 023 102	17 851 790
Refuse	53 267 022	48 932 486	4 334 536
Other Arrears	18 036 701	17 126 919	909 782
<b>Total</b>	<b>105 178 615</b>	<b>82 082 507</b>	<b>23 096 108</b>
Balance Previously Reported	105 549 052	82 082 507	23 466 545
Prior Period Adjustments - Refer to note 47.01	(370 437)	-	(370 437)
<b>Restated on 30 June 2018</b>	<b>105 178 615</b>	<b>82 082 507</b>	<b>23 096 108</b>

The carrying value of receivables are in line with their fair value. A credit period of 30 days are granted on initial recognition of the receivable, which is considered to be in line with industry norms. Interest at prime rate + 1% is charged on overdue accounts.

	2019 R	2018 R
<b>Ageing of service receivables:</b>		
<b>Electricity Ageing</b>		
Current (0 - 30 days)	12 899 487	14 257 968
Past Due (31 - 60 Days)	2 620 368	1 792 697
Past Due (61 - 90 Days)	1 962 113	1 708 801
Past Due (90 Days +)	25 622 314	16 115 426
<b>Total</b>	<b>43 104 283</b>	<b>33 874 892</b>

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<b>3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)</b>		
<b>Refuse Ageing</b>		
Current (0 - 30 days)	2 059 274	1 995 653
Past Due (31 - 60 Days)	1 817 609	1 726 703
Past Due (61 - 90 Days)	1 724 589	1 706 968
Past Due (90 Days +)	55 996 315	47 837 698
<b>Total</b>	<b>61 597 788</b>	<b>53 267 022</b>
<b>Other Arrears Ageing</b>		
Current (0 - 30 days)	334 703	272 570
Past Due (31 - 60 Days)	209 977	203 524
Past Due (61 - 90 Days)	192 933	188 812
Past Due (90 Days +)	19 130 663	17 371 795
<b>Total</b>	<b>19 868 276</b>	<b>18 036 701</b>
<b>Total Service Receivables Ageing</b>		
Current (0 - 30 days)	15 293 464	16 526 192
Past Due (31 - 60 Days)	4 647 955	3 722 923
Past Due (61 - 90 Days)	3 879 635	3 604 580
Past Due (90 Days +)	100 749 293	81 324 920
<b>Total</b>	<b>124 570 347</b>	<b>105 178 615</b>
<b>Reconciliation of Allowance for impairment</b>		
Opening Balance	82 082 507	67 194 752
Contribution to the provision	30 908 887	24 915 675
Electricity	12 182 917	6 188 834
Refuse	17 061 045	16 759 534
Other Arrears	1 664 925	1 967 306
Bad Debts Written off	(11 062 548)	(10 027 920)
Electricity	(2 399 680)	(1 457 042)
Refuse	(8 662 868)	(8 570 878)
Other Arrears	-	-
<b>Balance at the end of the year</b>	<b>101 928 846</b>	<b>82 082 507</b>

The Allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

30 JUNE 2019

	Gross Balance R	Allowance for Impairment R	Net Receivable R
<b>Service Receivables</b>	<b>31 404 777</b>	<b>27 534 754</b>	<b>3 870 023</b>
Rates	31 404 777	27 534 754	3 870 023
<b>Other Receivables</b>	<b>6 569 287</b>	<b>-</b>	<b>6 569 287</b>
Accrued Interest	88 912	-	88 912
Staff	137 707	-	137 707
Deposits	212 253	-	212 253
Government	188 880	-	188 880
Other Debtors	5 941 536	-	5 941 536
<b>Total</b>	<b>37 974 064</b>	<b>27 534 754</b>	<b>10 439 310</b>

30 JUNE 2018

	Gross Balance R	Allowance for Impairment R	Net Receivable R
<b>Service Receivables</b>	<b>26 271 350</b>	<b>22 522 807</b>	<b>3 748 543</b>
Rates	26 271 350	22 522 807	3 748 543
<b>Other Receivables</b>	<b>6 035 761</b>	<b>-</b>	<b>6 035 761</b>
Accrued Interest	76 256	-	76 256
Staff	194 446	-	194 446
Deposits	212 253	-	212 253
Government	188 880	-	188 880
Other Debtors	5 363 926	-	5 363 926
<b>Total</b>	<b>32 307 111</b>	<b>22 522 807</b>	<b>9 784 304</b>
Balance Previously Reported	33 635 674	25 402 708	8 232 965
Prior Period Adjustments - Refer to note 47.03	(1 328 563)	(2 879 902)	1 551 339
<b>Restated on 30 June 2018</b>	<b>32 307 111</b>	<b>22 522 807</b>	<b>9 784 304</b>

The carrying value of receivables are in line with their fair value. A credit period of 30 days are granted on initial recognition of the receivable, which is considered to be in line with industry norms. Interest at prime rate + 1% is charged on overdue accounts.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<b>4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)</b>		
<b>Ageing of service receivables:</b>		
<b>Rates Ageing</b>		
Current (0 - 30 days)	2 037 216	1 419 441
Past Due (31 - 60 Days)	921 187	797 220
Past Due (61 - 90 Days)	730 457	661 135
Past Due (90 Days +)	27 715 917	23 393 555
<b>Total</b>	<b>31 404 776</b>	<b>26 271 350</b>
<b>Reconciliation of Allowance for impairment</b>		
Opening Balance	22 522 807	23 616 350
Contribution to the provision	5 011 948	(1 093 544)
<b>Balance at the end of the year</b>	<b>27 534 754</b>	<b>22 522 807</b>

The Allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

### 5 OPERATING LEASE ASSET

Operating Lease Asset	-	-
-----------------------	---	---

Lease escalation is effective annually on 01 July in accordance with the rental charge determined by council in the annual budget. Thus no leased asset is calculated on 30 June 2018 and 30 June 2019.

The municipality will receive the following lease payments from contracts that have defined lease payments and terms.

Within 1 Year	21 271	11 710
Between 1 and 5 Years	54 340	11 690
After 5 Years	128 068	661
<b>Total</b>	<b>203 680</b>	<b>24 061</b>



# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<b>6 TAXES</b>		
VAT Receivable (In suspense)	53 042 884	46 706 404
VAT Receivable from SARS	12 839 213	10 084 742
VAT Payable (In suspense)	(18 868 595)	(16 966 508)
<b>Total</b>	<b>47 013 502</b>	<b>39 824 639</b>
Balance Previously Reported		<b>41 146 531</b>
Prior Period Adjustment - Refer to note 47.04		(1 321 893)
<b>Total</b>		<b>39 824 639</b>
<p>VAT is payable/receivable on the cash basis. Payments to and claims from SARS only occurs when actual cash flow takes place.</p> <p>No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies</p>		
<b>7 INVENTORY</b>		
Consumable Stores - Electrical Stock	342 427	19 524
Consumable Stores - General Stock	45 029	51 587
<b>Total</b>	<b>387 456</b>	<b>71 111</b>
Balance Previously Reported		<b>316 404</b>
Prior Period Adjustment - Refer to note 47.05		(245 292)
<b>Total</b>		<b>71 111</b>
<p>Inventory are disclosed at the lower of cost or net realisable value.</p> <p>No inventory were pledged as security for liabilities.</p>		
Inventory recognised as an expense during the year	611 119	933 173
<b>8 NON-CURRENT INVESTMENTS</b>		
Fixed Deposits	1 598 248	1 480 547
Balance Previously Reported		1 368 838
Prior Period Adjustment - Refer to note 47.06		111 709
<b>Total</b>	<b>1 598 248</b>	<b>1 480 547</b>

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<b>8 NON-CURRENT INVESTMENTS (CONTINUED)</b>		
Fixed Deposits are investments with a maturity period of more than 12 months and earn interest rates varying from 7.68% and 8.60% (2018 - 7.25 % to 8.13 %) per annum.		
Fixed Deposits consist out of the following accounts:		
ABSA Fixed Deposit - Account number 20 6626 7402	1 003 177	928 868
ABSA Fixed Deposit - Account number 20 4791 9733	41 182	38 359
ABSA Fixed Deposit - Account Number 20 6740 1932	553 889	513 321
<b>Total</b>	<b>1 598 248</b>	<b>1 480 547</b>

The ABSA Fixed Deposit - Account number 20 6626 7402 is committed as security for the DBSA long-term liability.

### 9 INVESTMENT PROPERTY

Investment Property - Carrying Value	151 015 298	152 030 307
Balance previously reported		152 240 208
Prior Period Adjustment - Refer to note 47.07		(209 900)
<b>Total</b>	<b>151 015 298</b>	<b>152 030 307</b>

The movement in investment properties is reconciled as follows:

<b>Opening Carrying value</b>	<b>152 030 307</b>	<b>153 145 954</b>
Cost	174 005 028	174 115 028
Accumulated Depreciation	(21 974 720)	(20 969 073)
Depreciation	(1 015 010)	(1 016 051)
Disposals	-	(99 596)
Cost	-	(110 000)
Accumulated Amortisation	-	10 404
<b>Closing Carrying Value</b>	<b>151 015 298</b>	<b>152 030 307</b>
Cost	174 005 028	174 005 028
Accumulated Depreciation	(22 989 730)	(21 974 720)

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 10.1 PROPERTY PLANT AND EQUIPMENT

30 JUNE 2019	Cost				Accumulated Depreciation and Impairment				Carrying Value R
	Opening Balance R	Additions R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	
<b>Land and Buildings</b>	<b>148 510 245</b>	<b>158 858</b>	<b>(14 555)</b>	<b>148 654 549</b>	<b>59 982 103</b>	<b>2 394 765</b>	<b>-</b>	<b>62 376 868</b>	<b>86 277 681</b>
Land	24 044 018	-	(14 555)	24 029 464	-	-	-	-	24 029 464
Buildings	124 466 227	158 858	-	124 625 085	59 982 103	2 394 765	-	62 376 868	62 248 217
<b>Infrastructure</b>	<b>599 851 203</b>	<b>15 187 049</b>	<b>-</b>	<b>615 038 253</b>	<b>249 018 391</b>	<b>22 454 716</b>	<b>-</b>	<b>271 473 107</b>	<b>343 565 146</b>
Roads and Stormwater	427 440 877	11 056 431	-	438 497 308	173 844 013	16 984 678	-	190 828 691	247 668 617
Electricity	168 727 672	4 130 618	-	172 858 290	74 595 433	5 349 408	-	79 944 841	92 913 449
Other	3 682 655	-	-	3 682 655	578 945	120 630	-	699 576	2 983 079
<b>Community Assets</b>	<b>44 496 016</b>	<b>392 059</b>	<b>-</b>	<b>44 888 075</b>	<b>10 735 760</b>	<b>681 568</b>	<b>-</b>	<b>11 417 328</b>	<b>33 470 747</b>
Recreation Grounds and Facilities	40 135 059	392 059	-	40 527 118	8 394 191	494 904	-	8 889 095	31 638 023
Cemetery	4 360 957	-	-	4 360 957	2 341 569	186 664	-	2 528 233	1 832 724
<b>Lease Assets</b>	<b>6 199 197</b>	<b>-</b>	<b>-</b>	<b>6 199 197</b>	<b>6 198 717</b>	<b>240</b>	<b>-</b>	<b>6 198 957</b>	<b>240</b>
Office Equipment	6 199 197	-	-	6 199 197	6 198 717	240	-	6 198 957	240
<b>Other Assets</b>	<b>27 191 621</b>	<b>604 243</b>	<b>(39 239)</b>	<b>27 756 625</b>	<b>17 613 105</b>	<b>1 456 588</b>	<b>(19 631)</b>	<b>19 050 062</b>	<b>8 706 563</b>
Furniture, Equipment and Machinery	13 220 868	604 243	(39 239)	13 785 873	9 661 791	895 115	(19 631)	10 537 275	3 248 598
Motor Vehicles and Implements	13 970 752	-	-	13 970 752	7 951 314	561 473	-	8 512 787	5 457 965
<b>Total</b>	<b>826 248 282</b>	<b>16 342 210</b>	<b>(53 794)</b>	<b>842 536 699</b>	<b>343 548 077</b>	<b>26 987 876</b>	<b>(19 631)</b>	<b>370 516 322</b>	<b>472 020 376</b>

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 10.1 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

30 JUNE 2018	Cost				Accumulated Depreciation and Impairment				Carrying Value R
	Opening Balance R	Additions R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	
<b>Land and Buildings</b>	<b>148 510 245</b>	-	-	<b>148 510 245</b>	<b>57 608 897</b>	<b>2 373 206</b>	-	<b>59 982 103</b>	<b>88 528 142</b>
Land	24 044 018	-	-	24 044 018	-	-	-	-	24 044 018
Buildings	124 466 227	-	-	124 466 227	57 608 897	2 373 206	-	59 982 103	64 484 124
<b>Infrastructure</b>	<b>574 931 556</b>	<b>24 919 648</b>	-	<b>599 851 203</b>	<b>227 146 033</b>	<b>21 872 358</b>	-	<b>249 018 391</b>	<b>350 832 812</b>
Roads and Stormwater	410 167 104	17 273 773	-	427 440 877	157 248 838	16 595 175	-	173 844 013	253 596 864
Electricity	161 081 797	7 645 875	-	168 727 672	69 421 971	5 173 462	-	74 595 433	94 132 239
Other	3 682 655	-	-	3 682 655	475 224	103 722	-	578 945	3 103 709
<b>Community Assets</b>	<b>34 843 362</b>	<b>9 652 654</b>	-	<b>44 496 016</b>	<b>10 049 210</b>	<b>686 550</b>	-	<b>10 735 760</b>	<b>33 760 256</b>
Recreation Grounds and Facilities	30 482 405	9 652 654	-	40 135 059	7 894 305	499 886	-	8 394 191	31 740 868
Cemetery	4 360 957	-	-	4 360 957	2 154 905	186 664	-	2 341 569	2 019 388
<b>Lease Assets</b>	<b>6 199 197</b>	-	-	<b>6 199 197</b>	<b>6 197 587</b>	<b>1 131</b>	-	<b>6 198 717</b>	<b>479</b>
Office Equipment	6 199 197	-	-	6 199 197	6 197 587	1 131	-	6 198 717	479
<b>Other Assets</b>	<b>26 742 973</b>	<b>448 647</b>	-	<b>27 191 621</b>	<b>15 871 629</b>	<b>1 741 476</b>	-	<b>17 613 105</b>	<b>9 578 516</b>
Furniture, Equipment and Machinery	12 772 221	448 647	-	13 220 868	8 546 150	1 115 640	-	9 661 791	3 559 078
Motor Vehicles and Implements	13 970 752	-	-	13 970 752	7 325 479	625 835	-	7 951 314	6 019 438
<b>Total</b>	<b>791 227 333</b>	<b>35 020 949</b>	-	<b>826 248 282</b>	<b>316 873 357</b>	<b>26 674 720</b>	-	<b>343 548 077</b>	<b>482 700 205</b>

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 10.1 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

30 JUNE 2018	Cost				Accumulated Depreciation and Impairment				Carrying Value R
	Opening Balance R	Additions R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	
Balance Previously Reported	791 227 333	35 063 346	-	826 290 679	336 221 549	26 415 258	-	362 636 807	463 653 872
Prior Period Adjustments - Refer to note 47.08	-	(42 397)	-	(42 397)	(19 348 192)	259 462	-	(19 088 731)	19 046 334
<b>Restated Balance on 30 June 2018</b>	<b>791 227 333</b>	<b>35 020 949</b>	<b>-</b>	<b>826 248 282</b>	<b>316 873 357</b>	<b>26 674 720</b>	<b>-</b>	<b>343 548 077</b>	<b>482 700 205</b>

The following work in progress balances are included in PPE. No Depreciation charge is recognised against these amounts.

	2019 R	2018 R
Infrastructure - Roads and Stormwater	11 095 269	8 247 074
Infrastructure - Electricity	3 898 603	7 645 875
Infrastructure - Other	-	2 984 642
Community Assets - Recreation Grounds	24 491 404	24 099 345
Buildings	43 537	43 537
<b>Total Work in Progress (WIP)</b>	<b>39 528 812</b>	<b>43 020 473</b>

No property, plant and equipment is used as security for long term liabilities, except assets acquired in terms of a finance lease- or hire purchase agreement as disclosed in note 14 to the financial statements

A fixed asset register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

10.2

### PROPERTY, PLANT AND EQUIPMENT - CAPITALISED RESTORATION COST

Capitalised Restoration Cost - Carrying Value

2019  
R

2018  
R

**7 322 681**

**7 788 156**

The movement in capitalised restoration cost is reconciled as follows:

#### Opening Carrying Value

7 788 156

7 782 215

Cost

16 433 094

15 562 660

Accumulated Depreciation

(8 644 939)

(7 780 445)

Additions

637 740

958 109

Disposals

(194 547)

(87 674)

Depreciation

(908 668)

(864 494)

#### Closing Carrying Value

**7 322 681**

**7 788 156**

Cost

16 876 287

16 433 094

Accumulated Depreciation

(9 553 607)

(8 644 939)

The municipality is required by relevant Environmental Legislation to rehabilitate landfill sites at the closure date of each respective site. The "Capitalised Restoration Cost" asset, which is capitalised in line with the requirements of GRAP 17 and iGRAP 2, relates to the initial estimate of costs involved to restore landfill sites under control of the Walter Sisulu Local Municipality.

Although this item is accounted for under the Property Plant and Equipment Standard (GRAP 17), the characteristics and nature of this item does not resemble that of normal PPE (such as the tangible nature of assets normally associated with PPE). Based on the aforementioned and in line with the requirements of GRAP 1, Capitalised Restoration Cost is disclosed as a separate item on the face of the Statement of Financial Position.

Refer to note 21 for more detail relating to this asset financed by way of a provision

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<b>11 BIOLOGICAL ASSETS</b>		
Biological Assets - Fair Value	991 654	1 285 230
<b>Total</b>	<b>991 654</b>	<b>1 285 230</b>

The movement in biological assets is reconciled as follows:

Opening Fair Value	1 285 230	1 880 250
Fair value adjustments - Physical changes and death	79 442	(595 020)
Fair value adjustments - Price adjustments	(373 019)	-
<b>Closing Fair Value</b>	<b>991 654</b>	<b>1 285 230</b>

No title or other restrictions are placed on biological assets.

No biological assets were pledged as security for liabilities.

There are no commitments for the development or acquisition of biological assets.

All biological assets are classified as consumable and are held for sale.

All biological assets are located in the Aliwal North Nature Reserve, the Aliwal North Spa and Burgersdorp Nature Reserve. The primary activities revolving around biological assets are as follows:

- Ensure that the game life in the municipal area are conserved for future generations.
- Ensure that game numbers are managed adequately. When the need arises to reduce the game number, prospective hunters are invited to submit tenders for the purchase of game, resulting in an inflow of resources to the municipality.

Due to the unwillingness of insurance companies to carry the risk and potential losses relating to biological assets, the financial risk is managed as follows:

- Regular inspection and maintenance of boundary fences to manage movement of biological assets.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

			2019 R	2018 R
<b>11</b>	<b>BIOLOGICAL ASSETS (CONTINUED)</b>			
-	Regular monitoring of game quantities by municipal staff.			
Biological Assets consist out of the following at year-end:				
	<b>Quantity</b>	<b>Asset</b>	<b>Fair Value R</b>	
	612	Springbuck	355	217 138
	218	Blesbuck	794	173 147
	76	Black Wildebeest	1 460	110 987
	7	Mountain Reedbuck	3 200	22 400
	20	Gemsbuck	2 289	45 788
	87	Redhartebeest	1 641	142 789
	8	Eland	5 591	44 730
	43	Zebra	4 352	187 136
	6	Ostrich	704	4 221
	6	Buffalo	7 220	43 320
	<b>Total</b>		<b>991 654</b>	<b>1 285 230</b>

The Fair value of biological assets is based on selling prices less costs to sell in an open active market.

15 Buffalos broke out of the reserve during the year under review and is not included in the buffalo count due to the municipality losing control over these animals. These buffalo were however lured back subsequent to year-end.

## **12 HERITAGE ASSETS**

Heritage Assets - Cost	2 984 705	2 984 705
<b>Total</b>	<b>2 984 705</b>	<b>2 984 705</b>

There were no movement in heritage assets during the period under review.



# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

12

### HERITAGE ASSETS (CONTINUED)

The municipality holds heritage assets, but was unable to obtain fair values for all such assets. These assets are disclosed herein in terms of GRAP 103.17 (at R 1) which states that if an entity holds an asset that might be regarded as a heritage asset but which, on initial recognition, does not meet the recognition criteria of a heritage asset because it cannot be reliably measured, relevant and useful information about it shall be disclosed in the notes to the financial statements.

<u>Details of Heritage Assets</u>	<u>Location</u>	2019 R	2018 R
Block House	Burgersdorp	326 500	326 500
Jubilee Fountain	Burgersdorp	114 212	114 212
Taal Monument	Burgersdorp	222 450	222 450
Voortrekkerdrif	Aliwal North	1	1
Light of the Century	Aliwal North	1	1
Concentrion Camp Kerkhof	Aliwal North	1	1
Durban Street Cemetery	Aliwal North	150 000	150 000
Old Cemetery by the river	Dukathole	149 000	149 000
Fort at Nature Reserve	Aliwal North	1	1
Fort on "Bronepad"	Aliwal North	10 000	10 000
Fort behind the hospital	Aliwal North	1	1
SA War Memorial Site	Aliwal North	90 000	90 000
Freedom Square	Dukathole	1	1
Kerkplein Museum	Aliwal North	1 459 500	1 459 500
Joe Gqabi Statue	Aliwal North	58 536	58 536
Museum - Old Library	Aliwal North	343 000	343 000
Frere Bridge	Aliwal North	1	1
Jamestown Museum	Jamestown	61 500	61 500
<b>Total</b>		<b>2 984 705</b>	<b>2 984 705</b>

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.

There are no Heritage Assets pledged as security for liabilities

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<b>13 INTANGIBLE ASSETS</b>		
Intangible Assets - Carrying Value	313 993	414 630
Balance previously reported		415 750
Prior Period Adjustment - Refer to note 47.09		(1 121)
<b>Total</b>	<b>313 993</b>	<b>414 630</b>
The movement in intangible assets is reconciled as follows:		
<b>Opening Carrying Value</b>	<b>414 630</b>	<b>587 794</b>
Cost	3 094 368	3 070 024
Accumulated Amortisation	(2 679 739)	(2 482 230)
Additions	94 393	24 345
Amortisation	(186 783)	(197 509)
Disposals	(8 246)	-
Cost	(18 452)	-
Accumulated Amortisation	10 206	-
<b>Closing Carrying Value</b>	<b>313 993</b>	<b>414 630</b>
Cost	3 170 309	3 094 368
Accumulated Amortisation	(2 856 316)	(2 679 739)

Intangible Assets consist only out of software

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<b>14 LONG-TERM LIABILITIES</b>		
<b>14.1 ANNUITY LOANS</b>		
Annuity Loans	2 779 841	3 224 300
Less: Current portion	(269 857)	(444 572)
<b>Sub-total</b>	<b>2 509 985</b>	<b>2 779 728</b>
Unamortised Loan Charges	(709 924)	(846 078)
Opening Balance	(846 078)	(1 013 971)
Unwinding of discounted interest	136 154	167 892
<b>Total</b>	<b>1 800 061</b>	<b>1 933 650</b>
Annuity Loans were fully utilised to purchase property plant and equipment. No loans were unspent at year end.		
Annuity Loans, disclosed at amortised cost, consist out of the following agreements:		
<b>Development Bank of South Africa (DBSA) (Maletswai Local Municipality)</b>	2 779 841	3 036 614
Interest is calculated at 5.00% interest rate and the loan will be fully redeemed on 30 September 2027.		
<b>Development Bank of South Africa (DBSA) (Gariep Local Municipality)</b>	-	187 686
Interest is calculated at 5.00% interest rate and the loan was fully redeemed on 30 September 2018.		
Annuity loans are secured by long and short term deposits. Refer to notes 2 and 8.		
<b>Total</b>	<b>2 779 841</b>	<b>3 224 300</b>
Annuity loans are payable as follows:		
Payable within one year	405 559	598 029
Payable within two to five years	1 622 236	1 622 236
Payable after five years	1 418 564	1 823 910
<b>Total amount payable</b>	<b>3 446 360</b>	<b>4 044 175</b>
<b>Less:</b> Outstanding Future Finance Charges	(666 519)	(819 875)
<b>Present value of annuity loans</b>	<b>2 779 841</b>	<b>3 224 300</b>

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

		2019 R	2018 R
<b>14</b>	<b>LONG-TERM LIABILITIES (CONTINUED)</b>		
<b>14.2</b>	<b>HIRE PURCHASES</b>		
	Hire Purchases	315 965	510 278
	Less: Current portion	(232 985)	(213 115)
	<b>Total</b>	<b>82 979</b>	<b>297 163</b>

Hire Purchases, disclosed at amortised cost, consist out of the following agreements:

Nr	Institution	Interest Rate	Redemption Date
1	FNB (CHEVROLET TRAILBLAZER)	10.00%	2020/10/01
2	FNB (NISSAN NP200 1.6)	10.00%	2020/10/01
3	FNB (Chevrolet Aveo)	10.00%	2020/10/01
4	FNB (Chevrolet Aveo)	10.00%	2020/10/01

Assets and liabilities associated with hire purchase contracts:

Nr	Carrying Value		Carrying Value	
	Asset 2019 R	Asset 2018 R	Liability 2019 R	Liability 2018 R
1	300 726	328 950	148 059	239 112
2	101 922	112 865	52 063	84 082
3	97 722	114 066	57 921	93 542
4	97 722	114 066	57 921	93 542
	<b>598 092</b>	<b>669 948</b>	<b>315 965</b>	<b>510 278</b>

The carrying value of assets, which are pledged as security for outstanding liabilities, are included in the property, plant and equipment carrying value in note 10.1.

	2019 R	2018 R
Hire Purchases are payable as follows:		
Payable within one year	254 160	253 559
Payable within two to five years	84 720	316 949
<b>Total amount payable</b>	<b>338 880</b>	<b>570 509</b>
<b>Less:</b> Outstanding Future Finance Charges	(22 915)	(60 230)
<b>Present value of Hire Purchases</b>	<b>315 965</b>	<b>510 278</b>

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<b>15 CONSUMER DEPOSITS</b>		
Electricity	2 331 077	2 216 978
Balance Previously Reported		2 160 322
Prior Period Adjustments - Refer to note 47.10		56 656
<b>Total</b>	<b>2 331 077</b>	<b>2 216 978</b>
Guarantees held in lieu of Electricity Deposits	-	-
The carrying value of consumer deposits are in line with its fair value. Outstanding balances does not attract any interest.		
<b>16 PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade Payables	224 919 217	168 260 276
Balance Previously Reported		230 602 700
Prior Period Adjustments - Refer to note 47.11		(62 342 424)
Retentions	3 436 289	3 712 142
Interest Accrued	37 277	40 432
Pre-paid electricity	2 162 355	1 824 589
Payments received in advance	6 930 134	5 146 270
Balance Previously Reported		2 591 762
Prior Period Adjustments - Refer to note 47.11		2 554 507
Joe Gqabi District Municipality (Water and Sanitation)	569 416	569 416
Unallocated Deposits	2 312	564 726
Other Creditors	23 293 514	24 721 287
Balance Previously Reported		32 777 118
Prior Period Adjustments - Refer to note 47.11		(8 055 831)
Sundry deposits	3 544 358	3 885 741
Balance Previously Reported		3 586 295
Prior Period Adjustments - Refer to note 47.11		299 446
<b>Total</b>	<b>264 894 872</b>	<b>208 724 878</b>

Payables are being recognised net of any discounts received

As prescribed by the MFMA, all payables are payable within 30 days. This credit period granted is considered to be in line with industry norms. The carrying value of payables are in line with its fair value.

Payables are not secured.

Sundry deposits include Hall, Builders and Housing Deposits.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<b>17 UNSPENT CONDITIONAL GOVERNMENT GRANTS</b>		
National Government	7 452 852	9 833 013
Provincial Government	3 549 222	4 072 345
District Municipality	1 489 886	1 489 886
<b>Total</b>	<b>12 491 960</b>	<b>15 395 244</b>

Detail reconciliations of all grants received and grant conditions met are included in note 24. Unspent grant balances are recognised to the extent that conditions are not yet met.

Due to the short term nature of unspent grant balances, the carrying value approximates the fair value of the unspent conditional grants at year-end.

### 18 CURRENT EMPLOYEE BENEFITS

Post Retirement Medical Benefits	939 181	787 781
Long Service Awards	1 190 138	702 487
Performance Bonuses	1 523 393	1 523 393
Bonuses	2 060 191	2 095 885
Balance Previously Reported		2 227 241
Prior Period Adjustments - Refer to note 47.12		(131 356)
Staff Leave	8 412 215	9 321 318
<b>Total</b>	<b>14 125 118</b>	<b>14 430 863</b>

The movement in current employee benefits are reconciled as follows:

#### Performance Bonuses

Opening Balance	1 523 393	1 523 393
Contribution during the year	-	-
<b>Closing Balance</b>	<b>1 523 393</b>	<b>1 523 393</b>

Performance bonuses are being paid to the Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<b>18 CURRENT EMPLOYEE BENEFITS (CONTINUED)</b>		
<b><u>Bonuses</u></b>		
Opening Balance	2 095 885	2 227 241
Contribution during the year	4 078 170	4 052 357
Payments made	(4 113 864)	(4 183 713)
<b>Closing Balance</b>	<b>2 060 191</b>	<b>2 095 885</b>
Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.		
<b><u>Staff Leave</u></b>		
Opening Balance	9 321 318	9 656 215
Contribution/(Reversal) during the year	(499 651)	1 295 731
Payments made	(409 451)	(1 630 628)
<b>Closing Balance</b>	<b>8 412 215</b>	<b>9 321 318</b>
Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or in the event of encashment. There is no possibility of reimbursement.		
<b>19 PROVISIONS</b>		
Compensation for injuries on duty contribution	894 400	894 400
<b>Total</b>	<b>894 400</b>	<b>894 400</b>
The movement in provisions are reconciled as follows:		
<b><u>Compensation for injuries on duty contribution</u></b>		
Opening Balance	894 400	894 400
Contribution during the year	-	834 261
Payments made	-	(834 261)
<b>Closing Balance</b>	<b>894 400</b>	<b>894 400</b>

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<b>19 PROVISIONS</b>		
The balance on the compensation for injuries on duty contribution represents the current liability of the municipality that has not yet been paid over to the relevant authorities. The balance represents the best estimate of the outflow of resources. The timing and amount of the outflow is dependant on when an assessment is received from the relevant authorities.		
<b>20 EMPLOYEE BENEFITS</b>		
Total Employee Benefits	29 412 714	27 835 032
Balance Previously Reported		27 860 238
Prior Period Adjustment - Refer to note 47.13		(25 206)
Total Employee benefits comprise of the following:		
Post Retirement Medical Benefits	25 893 644	24 468 550
Long Service Awards	5 648 389	4 856 750
<b>Sub-Total</b>	<b>31 542 033</b>	<b>29 325 300</b>
Less: Current portion of Employee Benefits	<b>2 129 319</b>	<b>1 490 268</b>
Post Retirement Medical Benefits	939 181	787 781
Long Service Awards	1 190 138	702 487
<b>Total</b>	<b>29 412 714</b>	<b>27 835 032</b>

### 20.1 Post Retirement Medical Benefits

The movement in Post Retirement Medical Benefits are reconciled as follows:

<b>Opening Balance</b>	<b>24 468 550</b>	<b>24 296 535</b>
Contribution during the year	3 339 222	3 516 059
Current Service Cost	1 019 961	1 172 682
Interest Cost	2 319 261	2 343 377
Payments made	(862 335)	(606 768)
Actuarial Gain	(1 051 793)	(2 737 276)
<b>Total balance at year-end</b>	<b>25 893 644</b>	<b>24 468 550</b>
Less Current Portion	939 181	787 781
<b>Total</b>	<b>24 954 463</b>	<b>23 680 769</b>



# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<b>20 EMPLOYEE BENEFITS (CONTINUED)</b>		
The Post Retirement Medical Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
	<b>2019</b>	<b>2018</b>
In-service members	127	131
In-service non-members	208	216
Continuation members	21	19
<b>Total</b>	<b>356</b>	<b>366</b>
The liability in respect of past service has been estimated to be as follows:		
In-service members	11 397 038	14 367 258
In-service non-members	3 760 959	1 179 939
Continuation members	10 735 647	8 921 353
<b>Total Unfunded Liability</b>	<b>25 893 644</b>	<b>24 468 550</b>
The liability in respect of past service has been estimated to be as follows for years prior to the comparative year:		
		<b>2017 R</b>
In-service members		14 678 972
In-service non-members		1 243 998
Continuation members		8 373 565
<b>Total Unfunded Liability</b>		<b>24 296 535</b>
Experience adjustments were calculated as follows:		
	<b>2019 R m</b>	<b>2018 R m</b>
Liabilities: (Gain)/Loss	0.976	(0.701)
Assets: Gain/(Loss)		-

The entity was established on 6 August 2016. No further comparative information (other than the items disclosed above) relating to historical liabilities and experience adjustments are available for disclosure as required by GRAP 25.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 20 EMPLOYEE BENEFITS (CONTINUED)

The municipality contributes to the following medical schemes on a monthly basis:

Bonitas  
LA Health  
Hosmed  
Samwumed  
Keyhealth

Key Actuarial Assumptions used are as follows:

Interest Rates	2019	2018
Discount rate	9.44%	9.63%
Health Care Cost Inflation Rate	6.90%	7.41%
Net Effective Discount Rate	2.38%	2.07%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

#### Mortality Rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

#### Normal Retirement Age

It has been assumed that in-service members will retire at age 62 (2018: 63), which then implicitly allows for expected rates of early and ill-health retirement.

#### Last Valuation

The last valuation was performed on 15 July 2019.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 20 EMPLOYEE BENEFITS (CONTINUED)

#### Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

#### Sensitivity Analysis - Liability at year-end

Assumption	In-service members (Rm)	Continuation members (Rm)	Total liability (Rm)	% change
Liability	15.158	10.736	25.894	
Health care inflation				
+ 1%	18.432	11.821	30.253	17%
- 1%	12.597	9.804	22.401	-13%
Discount rate				
+ 1%	12.670	9.831	22.501	-13%
- 1%	18.379	11.805	30.184	17%
Post-retirement mortality				
- 1 year	15.613	11.144	26.757	3%
Average retirement age				
- 1 year	16.475	10.736	27.211	5%
Continuation of membership at retirement				
- 10%	11.191	10.736	21.927	-15%

#### Sensitivity Analysis - Future Service and Interest Cost (Next Financial Year)

Assumption	Current Service Cost (Rm)	Interest Cost (Rm)	Total Cost (Rm)	% change
Future Cost	1.030	2.401	3.431	
Health care inflation				
+ 1%	1.296	2.812	4.109	20%
- 1%	0.828	2.072	2.899	-16%
Discount rate				
+ 1%	0.841	2.301	3.142	-8%
- 1%	1.280	2.509	3.789	10%
Post-retirement mortality				
- 1 year	1.061	2.483	3.544	3%
Average retirement age				
- 1 year	1.120	2.525	3.645	6%
Continuation of membership at retirement				
- 10%	0.744	2.027	2.771	-19%

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<b>20 EMPLOYEE BENEFITS (CONTINUED)</b>		
<b>20.2 Long Service Awards</b>		
The movement in Long Service Awards are reconciled as follows:		
<b>Opening Balance</b>	4 856 750	4 299 784
Contribution during the year	912 309	871 452
Current Service Cost	532 800	531 634
Interest Cost	379 509	339 818
Payments made	(409 963)	(177 376)
Actuarial Loss/(Gain)	289 293	(137 110)
<b>Total balance at year-end</b>	<b>5 648 389</b>	<b>4 856 750</b>
Less Current Portion	1 190 138	702 487
<b>Total</b>	<b>4 458 251</b>	<b>4 154 263</b>

The following members are eligible for long service bonuses:

	2019	2018
In-service members	335	347

The liability in respect of past service has been estimated to be as follows:

	2019 R	2018 R
In-service members	5 648 389	4 856 750
<b>Total Unfunded Liability</b>	<b>5 648 389</b>	<b>4 856 750</b>

The liability in respect of past service has been estimated to be as follows for years prior to the comparative year:

	2017 R
In-service members	4 299 784
<b>Total Unfunded Liability</b>	<b>4 299 784</b>

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 20 EMPLOYEE BENEFITS (CONTINUED)

Experience adjustments were calculated as follows:

	2019 R m	2018 R m
Liabilities: (Gain)/Loss	0.405	0.215
Assets: Gain/(Loss)	-	-

The entity was established on 6 August 2016. No further comparative information (other than the items disclosed above) relating to historical liabilities and experience adjustments are available for disclosure as required by GRAP 25.

	2019	2018
Key Actuarial Assumptions used are as follows:		

#### Interest Rates

Discount rate	8.00%	8.41%
General Salary Inflation (long-term)	5.46%	6.05%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.41%	2.23%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

#### Last Valuation

The last valuation was performed on 15 July 2019.

#### Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

#### Sensitivity Analysis - Liability at year-end

Assumption	Total liability (Rm)	% change
Liability	5.648	
General salary inflation		
+ 1%	5.953	5%
- 1%	5.370	-5%
Discount rate		
+ 1%	5.359	-5%
- 1%	5.970	6%
Average retirement age		
- 2 years	5.317	-6%
+ 2 years	5.999	6%
Withdrawal rates		
- 50%	6.373	13%

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 20 EMPLOYEE BENEFITS (CONTINUED)

#### Sensitivity Analysis - Future Service and Interest Cost (Next Financial Year)

Assumption	Current Service Cost (Rm)	Interest Cost (Rm)	Total Cost (Rm)	% change
Future Cost	0.547	0.405	0.952	
General salary inflation				
+ 1%	0.582	0.430	1.012	6%
- 1%	0.514	0.383	0.897	-6%
Discount rate				
+ 1%	0.518	0.430	0.948	0%
- 1%	0.579	0.377	0.956	0%
Average retirement age				
- 2 years	0.514	0.380	0.894	-6%
+ 2 years	0.575	0.433	1.008	6%
Withdrawal rates				
- 50%	0.635	0.463	1.099	15%

### 20.3 Other Pension Benefits

#### Defined Contribution Plans

	2019 R	2018 R
Council contributes to the following defined contribution plans:		
SALA Pension Fund	3 935 231	3 588 543
Consolidated Retirement Fund	2 641 839	2 398 065
SAMWU National Provident Fund	499 489	653 896
Municipal Workers Retirement Fund	2 224 141	1 876 939
<b>Total</b>	<b>9 300 700</b>	<b>8 517 442</b>

Council contributes to the pension funds above which are considered to be defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

		2019 R	2018 R
<b>21</b>	<b>NON-CURRENT PROVISIONS</b>		
	Rehabilitation Provision - Landfill Sites	27 582 752	26 072 831
	<b>Total</b>	<b>27 582 752</b>	<b>26 072 831</b>

The movement in Rehabilitation Provision - Landfill Sites are reconciled as follows:

<b>Opening Balance</b>	26 072 831	24 459 033
Contribution during the Year	1 509 921	1 613 798
Interest Cost	1 066 729	743 363
Addition/(Disposal)	443 193	870 435
<b>Total</b>	<b>27 582 752</b>	<b>26 072 831</b>

It is estimated that no site will be rehabilitated within 1 year from reporting date and thus there are no short term portion associated with this provision. The timing of the outflow of resources relating this provision is uncertain, but management expects the timing to be in line with the legal requirements subsequent to the expected closure date of the site as indicated below.

The total obligation at year-end can be attributed to the following sites:

Site	Expected Closure Date		
Aliwal North	2020	9 947 002	9 148 307
Burgersdorp	2044	7 144 156	6 687 091
Jamestown	2029	4 131 264	3 940 197
Steynsburg	2021	2 752 417	2 751 225
Venterstad	2051	3 607 913	3 546 011
<b>Total</b>		<b>27 582 752</b>	<b>26 072 831</b>

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 21 NON-CURRENT PROVISIONS (CONTINUED)

Discount rates specific to the nature of the provision is utilised to calculate the effect of time value of money. The discount rate is based on the Earthworks Index as published by Statssa which increased by 4.09% (2018 - 3.04%) during the period under review..

Environmental Specialists were utilised to determine the cost of rehabilitation of landfill sites as well as to assist the municipality in identifying any changes (if any) to estimated closure dates previously reported on in former entities.

	2019	2018
The estimated area per site to be rehabilitated at year end were as follows (Rehabilitation area - m <sup>2</sup> ):		
Aliwal North	21 020	21 020
Burgersdorp	11 800	11 800
Jamestown	6 543	6 543
Steynsburg	2 714	2 714
Venterstad	3 022	3 022

The cost of rehabilitation per square meter is based on the current cost of construction at each reporting period. The cost per square meter were estimated as follows (R/m<sup>2</sup>):

Aliwal North	473	435
Burgersdorp	605	567
Jamestown	631	602
Steynsburg	1 014	1 014
Venterstad	1 194	1 173

### 22 RESERVES

	2019 R	2018 R
Accumulated Surplus	376 050 445	429 037 633
<b>Total</b>	<b>376 050 445</b>	<b>429 037 633</b>



# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<b>23 PROPERTY RATES</b>		
Total Property Rates	23 113 584	19 842 848
<b>Total</b>	<b>23 113 584</b>	<b>19 842 848</b>

Property rate levied are based on the following rateable valuations and disclosed net of any rebates granted:

### Former Maletswai Local Municipality

Aliwal Residential	1 328 606 019	1 331 759 119
Sectional Title	30 600 006	30 600 006
Jamestown	58 457 121	58 457 121
Dukathole	278 190 622	277 553 320
Aliwal Agricultural	1 034 793 381	1 034 793 381
Dordrecht Agricultural	740 524 000	740 524 000
<b>Sub-Total</b>	<b>3 471 171 149</b>	<b>3 473 686 947</b>

### Former Gariep Local Municipality

Burgersdorp	369 108 200	369 108 200
Venterstad	68 983 000	68 983 000
Steynsburg	111 621 000	111 494 000
Oviston	67 404 000	67 375 000
Mzamomhle	104 961 000	104 961 000
Khayamnandi	46 301 000	46 301 000
Steynsburg Farms	675 484 000	675 484 000
Odendaalstroom Farms	370 000	370 000
Colesberg Farms	91 494 000	91 494 000
Albert Farms	1 387 221 000	1 387 221 000
<b>Sub-Total</b>	<b>2 922 947 200</b>	<b>2 922 791 200</b>
<b>Total Valuation</b>	<b>6 394 118 349</b>	<b>6 396 478 147</b>

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2014 (in former municipalities).

The first R 15 000 of the valuation on properties used only for residential purposes are exempted from property rates in terms of the Property Rates Act.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

23

### PROPERTY RATES (CONTINUED)

The following rates are applicable to the valuations above:	Former Gariep Local Municipality	Former Maletswai Local Municipality
<b>30 JUNE 2019</b>		
Residential Properties	1.223305c/R	0.980469c/R
Residential Properties-mixed use	1.908718c/R	0.0000c/R
Commercial/Business and Industrial Properties	0.267655c/R	1.176563c/R
Public Service Infrastructure properties	0.0000c/R	0.245117c/R
Public Benefit Organisation Properties	0.0000c/R	0.0000c/R
Agricultural Properties used for agricultural purposes	0.143166c/R	0.245117c/R
Agricultural Properties used for Commercial/Industrial purposes	0.0000c/R	0.490235c/R
Agricultural Properties used for Hunting/Trading of Game	0.0000c/R	0.490235c/R
State Owned properties	3.513305c/R	0.980469c/R
Municipal Properties	0.0000c/R	0.0000c/R
Mining Properties	0.0000c/R	1.960939c/R
Vacant Properties	2.545097c/R	1.960939c/R
<b>30 JUNE 2018</b>		
Residential Properties	1.147566c/R	0.919765c/R
Residential Properties-mixed use	1.790542c/R	0.0000c/R
Commercial/Business and Industrial Properties	0.251084c/R	1.103718c/R
Public Service Infrastructure properties	0.0000c/R	0.229941c/R
Public Benefit Organisation Properties	0.0000c/R	0.0000c/R
Agricultural Properties used for agricultural purposes	0.134302c/R	0.229941c/R
Agricultural Properties used for Commercial/Industrial purposes	0.0000c/R	0.459882c/R
Agricultural Properties used for Hunting/Trading of Game	0.0000c/R	0.459882c/R
State Owned properties	3.097541c/R	0.919765c/R
Municipal Properties	0.0000c/R	0.0000c/R
Mining Properties	0.0000c/R	1.839530c/R
Vacant Properties	2.2387521c/R	1.839530c/R

Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but in terms of Council's own policy opted not to collect it. The following Rebates are granted:

Indigents (Valuation exemption)	65 000	65 000
---------------------------------	--------	--------

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

24

### GOVERNMENT GRANTS AND SUBSIDIES

#### Unconditional Grants - National Government

Equitable Share

#### Conditional Grants - National Government

Financial Management Grant (FMG)  
Municipal Infrastructure Grant (MIG)  
Skills Development Fund  
Integrated National Electrification Programme (INEP)  
National Treasury Audit Fees Grant 1%  
Expanded Public Works Program (EPWP)  
Municipal Demarcation and Transition Grant

#### Conditional Grants - Provincial Government

Library Grant  
Municipal Demarcation and Transition Grant (Provincial)

#### Total

Disclosed as:

Government Grants and Subsidies - Capital  
Government Grants and Subsidies - Operating

#### Total

Grants per Vote (MFMA Sec 123 (c)):

Equitable share

Executive and Council  
Budget and Treasury Office  
Technical Services  
Corporate Services  
Community Services

#### Total

2019  
R

2018  
R

52 677 000

49 030 000

52 677 000

49 030 000

30 740 664

50 547 510

4 315 000

4 245 000

12 023 303

29 687 206

189 144

61 524

4 324 845

5 000 000

5 894 359

5 368 780

1 517 000

1 619 000

2 477 013

4 566 000

2 470 123

4 423 877

1 947 000

1 947 000

523 123

2 476 877

85 887 787

104 001 387

13 408 390

29 317 616

72 479 397

74 683 771

85 887 787

104 001 387

52 677 000

49 030 000

8 503 408

12 018 611

6 717 345

8 509 935

15 853 890

23 328 824

189 144

61 524

1 947 000

11 052 492

85 887 787

104 001 387

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<b>24 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)</b>		
The movements per grant can be summarised as follows:		
<b>24.01 Equitable Share</b>		
Grants Received	52 677 000	49 030 000
Transferred to Revenue - Operating	(52 677 000)	(49 030 000)
<b>Closing Unspent Balance</b>	-	-
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
<b>24.02 Financial Management Grant (FMG)</b>		
Grants Received	4 315 000	4 245 000
Transferred to Revenue - Operating	(4 315 000)	(4 245 000)
<b>Closing Unspent Balance</b>	-	-
The Financial Management Grant is a conditional grant to assist municipalities in the implementation of financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The grant also utilised to cover expenditure relating to the Financial Management Internship Programme.		
<b>24.03 Municipal Infrastructure Grant (MIG)</b>		
Opening Unspent Balance	-	2 255 206
Grants Received	18 570 000	29 954 000
Transferred to Revenue - Capital	(9 647 655)	(24 931 651)
Transferred to Revenue - Operating	(2 375 647)	(4 755 554)
Returned to National Revenue Fund	-	(2 522 000)
<b>Closing Unspent Balance</b>	<b>6 546 697</b>	-
The MIG grant is a conditional grant used to upgrade infrastructure in the municipal area with the main focus on previously disadvantaged areas.		

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<b>24 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)</b>		
<b>24.04 Skills Development Fund</b>		
Grants Received	189 144	61 524
Transferred to Revenue - Operating	(189 144)	(61 524)
<b>Closing Unspent Balance</b>	<b>-</b>	<b>-</b>
The Skills Development fund is utilised to cover expenditure relating to training.		
<b>24.05 Integrated National Electrification Programme (INEP)</b>		
Grants Received	5 231 000	5 000 000
Transferred to Revenue - Capital	(3 760 735)	(4 385 965)
Transferred to Revenue - Operating	(564 110)	(614 035)
<b>Closing Unspent Balance</b>	<b>906 155</b>	<b>-</b>
The INEP grant is a conditional grant to provide capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings and the installation of bulk infrastructure.		
<b>24.06 National Treasury Audit Fees Grant 1%</b>		
Grants Received	5 894 359	5 368 780
Transferred to Revenue - Operating	(5 894 359)	(5 368 780)
<b>Closing Unspent Balance</b>	<b>-</b>	<b>-</b>
This grant is received from National Treasury to assist municipalities with their outstanding audit fees payable to the Auditor General of South Africa.		
<b>24.07 Expanded Public Works Program (EPWP)</b>		
Grants Received	1 517 000	1 619 000
Transferred to Revenue - Operating	(1 517 000)	(1 619 000)
<b>Closing Unspent Balance</b>	<b>-</b>	<b>-</b>
The EPWP grant is a conditional grant to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP guidelines.		

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<b>24 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)</b>		
<b>24.08 Municipal Demarcation and Transition Grant</b>		
Opening Unspent Balance	10 356 136	9 833 013
Grants Received	-	7 566 000
Transferred to Revenue - Operating	(3 000 136)	(7 042 877)
Returned to National Revenue Fund	(7 356 000)	-
<b>Closing Unspent Balance</b>	<b>-</b>	<b>10 356 136</b>
<p>To assist the Municipality in building in house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act (MSA) and related legislation, policies and local government turnaround strategy. Includes both National and Provincial Allocation.</p>		
<b>24.09 Housing Grants</b>		
Opening Unspent Balance	2 318 301	2 318 301
<b>Closing Unspent Balance</b>	<b>2 318 301</b>	<b>2 318 301</b>
<p>The housing allocation is a conditional grant to support the creation of sustainable human settlements that enables and improved quality of household life, provision of basic infrastructure, top structures and basic social and economic amenities.</p>		
<b>24.10 Joe Gqabi District Municipality Grant</b>		
Opening Unspent Balance	1 489 886	1 489 886
<b>Closing Unspent Balance</b>	<b>1 489 886</b>	<b>1 489 886</b>
<p>The grant is allocated for the following purposes:</p> <ul style="list-style-type: none"> <li>- Street refurbishment Aliwal North</li> <li>- Fencing of Community Hall</li> <li>- Sports track upgrading</li> </ul>		
<b>24.11 Other Provincial Allocations</b>		
Opening Unspent Balance	1 230 921	1 230 921
Grants Received	1 947 000	1 947 000
Transferred to Revenue - Operating	(1 947 000)	(1 947 000)
<b>Closing Unspent Balance</b>	<b>1 230 921</b>	<b>1 230 921</b>

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

		2019 R	2018 R
<b>24</b>	<b>GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)</b>		
	Other Provincial Allocations includes grants such as:		
	- Spatial Development Plan		
	- Land Survey Management		
	- LED Garden Project Jamestown		
	- JL De Bruin Grant		
	- Other DPLG Funding		
	- Library Grant		
	- Greening and Beautification Grant		
<b>24.12</b>	<b>Total Grants</b>		
	Opening Unspent Balance	15 395 244	17 127 327
	Grants Received	90 340 503	104 791 304
	Transferred to Revenue - Capital	(13 408 390)	(29 317 616)
	Transferred to Revenue - Operating	(72 479 397)	(74 683 771)
	Returned to National Revenue Fund	(7 356 000)	(2 522 000)
	<b>Closing Unspent Balance</b>	<b>12 491 960</b>	<b>15 395 244</b>
<b>25</b>	<b>PUBLIC CONTRIBUTIONS AND DONATIONS</b>		
	COGTA	15 000 000	54 918 000
	<b>Total</b>	<b>15 000 000</b>	<b>54 918 000</b>
	COGTA contributed R 15 million (2018 - R 54,918 million) towards the outstanding Eskom liability of Walter Sisulu Local Municipality.		
<b>26</b>	<b>DONATED ASSETS</b>		
	Intelligent Africa (Laptops)	-	21 053
	Old Mutual (Microwave)	-	889
	<b>Total</b>	<b>-</b>	<b>21 942</b>
<b>27</b>	<b>FINES</b>		
	Traffic Fines	156 022	269 559
	Library Fines	1 548	1 344
	Meter Tampering	47 519	107 113
	<b>Total</b>	<b>205 089</b>	<b>378 015</b>
<b>28</b>	<b>ACTUARIAL GAINS</b>		
	Post Retirement Medical Benefits	1 051 793	2 737 276
	Long Service Awards	-	137 110
	<b>Total</b>	<b>1 051 793</b>	<b>2 874 386</b>

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<b>29 SERVICE CHARGES</b>		
Electricity Revenue	101 798 593	100 404 023
Refuse Removal Revenue	25 249 653	25 141 756
<b>Total Revenue</b>	<b>127 048 246</b>	<b>125 545 779</b>
Less: Rebates	(13 556 702)	(12 271 859)
Electricity Revenue	(7 126 854)	(6 257 496)
Refuse Removal Revenue	(6 429 848)	(6 014 362)
<b>Total</b>	<b>113 491 544</b>	<b>113 273 920</b>
Rebates can be defined as any income that the Municipality is entitled to levy, but in terms of Council's own policy opted not to collect it.		
<b>30 RENTAL OF FACILITIES AND EQUIPMENT</b>		
Properties and Commonage	2 164 185	1 988 878
Halls	214 945	333 114
Resorts and Facilities	132 946	26 535
Machinery and Equipment	6 324	2 460
<b>Total</b>	<b>2 518 401</b>	<b>2 350 987</b>
<b>31 INTEREST EARNED - OUTSTANDING DEBTORS</b>		
Interest Earned - Service Debtors	6 838 766	5 969 738
Interest Earned - Penalty Interest on Property Rates	1 932 224	1 320 682
<b>Total</b>	<b>8 770 990</b>	<b>7 290 420</b>
<b>32 LICENCES AND PERMITS</b>		
Drivers License Fees	915 379	1 348 366
Public License Fees	99 051	101 150
Roadworthy Certificates	5 337	10 268
Special Permits	48 154	48 281
Vehicle License Fees	2 045 232	1 734 756
Vehicle Registration Fees	379 111	405 523
<b>Total</b>	<b>3 492 264</b>	<b>3 648 344</b>



# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<b>33 AGENCY SERVICES</b>		
Commission on collections	348 346	348 777
Prodiba Fees	349 704	13 870
<b>Total</b>	<b>698 050</b>	<b>362 647</b>
<b>34 OTHER INCOME</b>		
Admission Fees	379 945	440 614
Encroachment Fees	162 483	118 693
Sundry Income	805 220	958 139
Building Plan & Inspection Fees	133 792	116 492
Electricity Re-Connection Fees	275 121	110 754
Cemetery Fees	396 961	468 604
Prescribed debt recognised as Revenue	2 100 846	-
<b>Total</b>	<b>4 254 369</b>	<b>2 213 296</b>
<b>35 EMPLOYEE RELATED COSTS</b>		
Basic Salaries and Wages	58 360 284	55 640 769
Pension and UIF Contributions	10 503 914	9 785 365
Medical Aid Contributions	3 234 315	3 111 912
Overtime	2 142 405	2 274 245
Bonuses	4 078 170	4 052 357
Motor Vehicle Allowance	2 327 255	2 479 552
Cellphone Allowance	65 580	73 930
Housing Allowances	689 512	655 783
Standby Allowance	1 063 667	1 061 590
Provision for compensation for injuries on duty	-	834 261
Provision for leave	(499 651)	1 295 731
Acting Allowance	229 864	840 638
Skills Development Levy	766 811	753 817
Industrial Council Levy	42 769	37 034
Long service awards	532 800	531 634
Post Retirement Medical Benefits	1 019 961	1 172 682
<b>Total</b>	<b>84 557 655</b>	<b>84 601 298</b>

### Remuneration of Key Personnel

All Managers are appointed on a 5-year contract. There are no post-employment or termination benefits payable to them at the end of the contract period. The benefits are as follows:

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

35

### EMPLOYEE RELATED COSTS (CONTINUED)

	2019 R	2018 R
<b>Remuneration of the Municipal Manager - FKP Ntlemeza</b>		
Basic Salary	518 709	-
Other benefits and allowances	193 864	-
<b>Total</b>	<b>712 572</b>	<b>-</b>
<b>Remuneration of the Municipal Manager - T A Mawonga</b>		
Basic Salary	-	520 878
Other benefits and allowances	-	764 825
<b>Total</b>	<b>-</b>	<b>1 285 703</b>
<b>Remuneration of the Community and Social Services - NBB Mokhantso</b>		
Basic Salary	524 382	507 235
Other benefits and allowances	632 374	652 727
<b>Total</b>	<b>1 156 756</b>	<b>1 159 961</b>
<b>Remuneration of the Corporate and Support Services - ZE Pungwani</b>		
Basic Salary	479 263	236 282
Other benefits and allowances	211 805	295 301
<b>Total</b>	<b>691 068</b>	<b>531 583</b>
<b>Remuneration of the Technical Services - Z Nongene</b>		
Basic Salary	831 630	710 787
Other benefits and allowances	517 662	304 416
<b>Total</b>	<b>1 349 292</b>	<b>1 015 203</b>
<b>Remuneration of the Chief Financial Officer - MA Ngcobo</b>		
Basic Salary	41 914	-
Other benefits and allowances	26 730	-
<b>Total</b>	<b>68 644</b>	<b>-</b>
<b>Remuneration of the acting Chief Financial Officer - NG Spelt</b>		
Acting Allowance	13 301	-
<b>Total</b>	<b>13 301</b>	<b>-</b>
<b>Remuneration of the acting Chief Financial Officer - U Peter</b>		
Acting Allowance	-	188 031
<b>Total</b>	<b>-</b>	<b>188 031</b>

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

36

### REMUNERATION OF COUNCILLORS

	2019 R	2018 R
Councillors	6 542 565	6 930 947
Travelling allowance	530 589	320 591
Telephone allowance	966 233	999 351
<b>Total</b>	<b>8 039 387</b>	<b>8 250 888</b>

### Remuneration per Councillor

Cllr B Khweyiya	Executive Mayor	864 190	883 853
Cllr NS Mathetha	Speaker	700 233	127 682
Cllr E Theron	PR Councillor	303 833	319 260
Cllr VA Schoeman	PR Councillor	303 833	324 210
Cllr N Ngubo	PR Councillor	387 409	396 300
Cllr MB Mtshingana	PR Councillor	-	147 192
Cllr M Jan	PR Councillor	303 833	320 385
Cllr DF Hartkopf	PR Councillor	387 409	395 467
Cllr VD Davids	PR Councillor	387 409	396 300
Cllr M De Ridder Nel	PR Councillor	-	325 436
Cllr M Van Heerden	PR Councillor	303 833	320 385
Cllr Y Zweni	PR Councillor	377 339	395 190
Cllr M Lekobane	PR Councillor	230 891	-
Cllr Z Mangali	Ward 1 Councillor	303 833	315 682
Cllr Z Mqokrwana	Ward 2 Councillor	377 339	395 568
Cllr M Van Heerden	Ward 3 Councillor	303 833	-
Cllr BM Ndika	Ward 3 Councillor	-	322 140
Cllr M Solani	Ward 4 Councillor	377 339	396 309
Cllr L Nkunzi	Ward 5 Councillor	303 833	319 260
Cllr ZE Masina	Ward 6 Councillor	303 833	316 260
Cllr M Mdumisa	Ward 7 Councillor	303 833	327 809
Cllr X Mabusela	Ward 8 Councillor	303 833	319 260
Cllr D De Jongh	Ward 9 Councillor	303 833	319 260
Cllr MW Mokhoabane	Ward 10 Councillor	303 833	320 646
Cllr KS Lange	Ward 11 Councillor	303 833	547 036
<b>Total</b>		<b>8 039 387</b>	<b>8 250 888</b>

37

### DEBT IMPAIRMENT

Receivables from exchange transactions	30 908 887	24 915 675
Receivables from non-exchange transactions	5 011 948	(1 093 544)
<b>Total Debt Impairment</b>	<b>35 920 834</b>	<b>23 822 131</b>
Movement in VAT included in debt impairment	(4 704 298)	(2 294 947)
<b>Total</b>	<b>31 216 536</b>	<b>21 527 184</b>

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<b>38 DEPRECIATION AND AMORTISATION</b>		
Investment Property	1 015 010	1 016 051
Property, Plant and Equipment	26 987 876	26 674 720
Property, Plant and Equipment - Capitalised Restoration Cost	908 668	864 494
Intangible Assets	186 783	197 509
<b>Total</b>	<b>29 098 337</b>	<b>28 752 774</b>
<b>39 REPAIRS AND MAINTENANCE</b>		
Land and Buildings	495 249	1 009 356
Investment Property	32 225	13 572
Tools and equipment	133 784	308 362
Furniture and office equipment	88 814	28 149
Vehicles and Implements	1 107 670	986 949
Streets and stormwater	903 639	1 166 576
Landfill Site	103 791	161 165
Electricity Reticulation	502 628	816 245
Swimming Pool	37 108	-
Fencing	-	2 393
Street Lights	108 491	116 928
<b>Total</b>	<b>3 513 400</b>	<b>4 609 695</b>
<b>40 FINANCE CHARGES</b>		
Annuity Loans	284 522	344 592
Actual Payments	148 367	176 700
Unwinding of discounted interest	136 154	167 892
Hire Purchases	41 013	77 312
Rehabilitation Provision - Landfill Sites	1 066 729	743 363
Post Retirement Medical Benefits	2 319 261	2 343 377
Long Service Awards	379 509	339 818
Interest on Overdue Accounts	22 716 526	17 805 390
<b>Total</b>	<b>26 807 559</b>	<b>21 653 852</b>
<b>41 BULK PURCHASES</b>		
Electricity	88 502 282	82 544 340
<b>Total</b>	<b>88 502 282</b>	<b>82 544 340</b>
<b>42 TRANSFERS AND GRANTS</b>		
Indigent Subsidies	30 000	130 655
<b>Total</b>	<b>30 000</b>	<b>130 655</b>

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<b>43 OPERATING GRANT EXPENDITURE</b>		
Expanded Public Works Program	1 517 000	1 775 733
Financial and Systems Management	3 946 704	375 600
Municipal Demarcation and Transition Grant	2 609 049	6 649 831
<b>Total</b>	<b>8 072 753</b>	<b>8 801 164</b>
<b>44 ACTUARIAL LOSSES</b>		
Post Retirement Medical Benefits	-	-
Long Service Awards	289 293	-
<b>Total</b>	<b>289 293</b>	<b>-</b>
<b>45 FAIR VALUE ADJUSTMENTS</b>		
Biological Assets	293 576	595 020
<b>Total</b>	<b>293 576</b>	<b>595 020</b>
<b>46 OTHER EXPENDITURE</b>		
Advertisements	464 783	393 908
Audit Fees	7 342 999	6 338 791
Bank Charges and other related costs	331 224	343 018
Books, Publications and magazines	65 692	24 175
Cleaning Materials and Chemicals	70 783	172 442
Commission Prepaid Vendors	1 657 411	1 629 459
Electricity (Eskom)	1 299 558	1 447 393
Insurance	1 438 126	1 379 362
Integrated development planning	8 540	28 450
Legal Costs	2 595 286	2 042 160
License Fees	2 684 100	1 503 678
Membership Fees	2 500	18 860
Postage	1 476	12 446
Printing and Stationary	322 147	743 576
Professional Services	118 959	1 613 941
Projects from own funds	196 272	43 930
Protective Clothing	864 866	6 257
Security Services	2 763 058	2 743 757
Subsistence and Travelling	2 047 464	1 992 998
Telephone Charges	2 032 823	2 656 679
Training	1 284 644	1 618 685
Vehicle: Fuel & Oil	2 107 570	2 196 656
Valuation Costs	1 301 550	111 906
General Expenses	1 130 413	2 069 063
<b>Total</b>	<b>32 132 246</b>	<b>31 131 591</b>

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2018 R
<b>47 PRIOR PERIOD ADJUSTMENTS</b>	
<b>47.01 CASH AND CASH EQUIVALENTS</b>	
Balance Previously Reported	5 275 199
Account for interest capitalised during 2017/2018 previously not accounted for - Refer to note 47.15	6 008
Correction of current account balance up to 30 June 2017	107 143
Effect on Accumulated Surplus - Refer to note 47.14	(628)
Effect on Other Creditors - Refer to note 47.11	107 771
Correction of current account balance during 2017/2018	648 068
Effect on Taxes - Refer to note 47.04	164
Effect on Receivables from Non-Exchange - Refer to note 47.03	(26 609)
Effect on Other Creditors and Sundry Deposits - Refer to note 47.11	673 341
Effect on Other Income - Refer to note 47.15	1 172
<b>Restated Balance on 30 June 2018</b>	<b>6 036 417</b>
<b>47.02 RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>	
Balance Previously Reported	23 466 545
Correction of Service and Other Charges incorrectly raised up to 30 June 2017 - Refer to note 47.14	(121 539)
Correction of Service and Other Charges incorrectly raised during 2017/2018 - Refer to note 47.15	(248 899)
<b>Restated Balance on 30 June 2018</b>	<b>23 096 108</b>
<b>47.03 RECEIVABLES FROM EXCHANGE NON-TRANSACTIONS</b>	
Balance Previously Reported	8 232 965
Debtors with credit balances (Rates) incorrectly not allocated to payables - Refer to note 47.11	2 539 707
Account for Accrued Interest on Fixed deposits up to 30 June 2018 - Refer to note 47.15	3 856
Reversal of accrued interest on 30 June 2017	(72 400)
Account for accrued interest on 30 June 2018	76 256
Correction of current account balance during 2017/2018 - Refer to note 47.01	26 609
Correction of staff balances on 30 June 2017 - Refer to note 47.14	(845)
Insurance receipt relating to funeral costs previously not raised - Refer to note 47.15	43 291

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2018 R
<b>47 PRIOR PERIOD ADJUSTMENTS (CONTINUED)</b>	
Correction of staff balances incorrectly recorded during 2017/2018 - Refer to note 47.15	(1 572)
Correction of Other Debtor balances on 30 June 2017 - Refer to note 47.14	(1 825 362)
Correction of Rates incorrectly raised up to 30 June 2017	-
Effect on Gross Receivable	(2 879 902)
Effect on Debt Impairment	2 879 902
Correction of Rates Receivable incorrectly raised during 2017/2018 - Refer to note 47.15	(69 087)
Control account with credit balance incorrectly disclosed as receivables - Refer to note 47.11	834 741
<b>Restated Balance on 30 June 2018</b>	<b>9 784 304</b>
<b>47.04 TAXES</b>	
<b>Balance Previously Reported</b>	<b>41 146 531</b>
Correction of AGSA outstanding balance on 30 June 2017 - Refer to note 47.11	(546 458)
Correction of journal - and payment allocations relating to bulk Eskom Accounts - Refer to note 47.11	(355 083)
Correction of journal - and payment allocations relating to Auditor General Accounts - Refer to note 47.11	(32 882)
Correction VAT treatment on National Treasury Rebate received - Refer to note 47.15	(386 170)
Reverse duplicated entries incorrectly capitalised to movable asset additions - Refer to note 47.11	(1 135)
Correction of current account balance during 2017/2018 - Refer to note 47.01	(164)
<b>Restated Balance on 30 June 2018</b>	<b>39 824 639</b>
<b>47.05 INVENTORY</b>	
<b>Balance Previously Reported</b>	<b>316 404</b>
Account for movement in inventory previously not accounted for during 2017/2018 - Refer to note 47.15	(245 292)
<b>Restated Balance on 30 June 2018</b>	<b>71 111</b>
<b>47.06 NON-CURRENT INVESTMENTS</b>	
<b>Balance Previously Reported</b>	<b>1 368 838</b>
Account for interest capitalised during 2017/2018 previously not accounted for - Refer to note 47.15	111 709
<b>Restated Balance on 30 June 2018</b>	<b>1 480 547</b>

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2018 R
<b>47 PRIOR PERIOD ADJUSTMENTS (CONTINUED)</b>	
<b>47.07 INVESTMENT PROPERTY</b>	
Balance Previously Reported	152 240 208
Correction of Depreciation during 2017/18 - Refer to note 47.15	(96 756)
Investment Property Disposals previously not recognised	(113 144)
Effect on Cost up to 30 June 2017 - Refer to note 47.14	(13 548)
Effect on Cost up to 30 June 2018 - Refer to note 47.15	(110 000)
Effect on Accumulated Depreciation on 30 June 2018 - Refer to note 47.15	10 404
<b>Restated Balance on 30 June 2018</b>	<b>152 030 307</b>
<b>47.08 PROPERTY PLANT AND EQUIPMENT</b>	
Balance Previously Reported	463 653 872
Incorrect allocation between Movable assets and Roads Infrastructure	-
Effect on Furniture, Equipment and Machinery	39 126
Effect on Infrastructure Roads and Stormwater	(39 126)
Balance on Sundry Creditors vote incorrectly transferred to Capital Suspense vote (Movable Assets) on 1 July 2017 - Refer to note 47.11	235
Town Hall Salaries incorrectly capitalised as part of movable assets - Refer to note 47.15	(47 684)
Reverse duplicated entries incorrectly capitalised to movable asset additions - Refer to note 47.11	(17 939)
Account for Donated Assets received during 2017/18 - Refer to note 47.15	21 942
Movable assets incorrectly expensed during 2017/18 - Refer to note 47.15	1 050
Correction of Depreciation up to 30 June 2017 - Refer to note 47.14	19 348 192
Infrastructure - Roads and Stormwater	19 283 249
Infrastructure - Electricity	13 278
Infrastructure - Other	51 666
Correction of Depreciation during 2017/18 - Refer to note 47.15	(259 462)
Effect on Furniture, Equipment and Machinery	112 507
Motor Vehicles and Implements	84 098
Office Equipment (Leased)	(179)
Recreation Grounds and Facilities	(44 179)
Cemetery	(23 873)
Buildings	(378 429)
Infrastructure - Roads and Stormwater	(665 168)
Infrastructure - Electricity	653 606
Infrastructure - Other	2 155
<b>Restated Balance on 30 June 2018</b>	<b>482 700 205</b>



# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2018 R
<b>47 PRIOR PERIOD ADJUSTMENTS (CONTINUED)</b>	
<b>47.09 INTANGIBLE ASSETS</b>	
Balance Previously Reported	415 750
Correction of Amortisation during 2017/18 - Refer to note 47.15	(1 121)
<b>Restated Balance on 30 June 2018</b>	<b>414 630</b>
<b>47.10 CONSUMER DEPOSITS</b>	
Balance Previously Reported	2 160 322
Correction of Consumer Deposits incorrectly recorded on merger date (Gariep) - Refer to note 47.14	56 656
<b>Restated Balance on 30 June 2018</b>	<b>2 216 978</b>
<b>47.11 PAYABLES FROM EXCHANGE TRANSACTIONS</b>	
Balance Previously Reported	276 269 180
Debtors with credit balances (Rates) incorrectly not allocated to payables - Refer to note 47.03	2 539 707
Balance on Other Creditors (Best Funeral) incorrectly allocated to Acting Allowance (Income and Expense vote) - Refer to note 47.15	71 521
Balance on Sundry Creditors vote incorrectly transferred to Capital suspense vote on 1 July 2017 - Refer to note 47.08	235
Correction of outstanding Eskom balance (Bulk Accounts) on 30 June 2017 - Refer to note 47.14	(22 397 284)
Account for interest on Eskom Accounts previously not recorded - Refer to note 47.15	4 459 290
Correction of journal - and payment allocations relating to bulk Eskom Accounts	(1 087 720)
Effect on Taxes - Refer to note 47.04	(355 083)
Effect on Finance Charges and Bulk Purchases - Refer to note 47.15	(732 637)
Wheeling Charges previously not recognised (Eskom) - Refer to note 47.15	(153 710)
COGHTA Assistance previously not recognised (Eskom) - Refer to note 47.15	(39 918 000)
Correction of AGSA outstanding balance on 30 June 2017	(4 339 432)
Effect on Accumulated Surplus on 30 June 2017 - Refer to note 47.14	(3 792 973)
Effect on Input Vat in Suspense on 30 June 2017 - Refer to note 47.04	(546 458)

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2018 R
<b>47 PRIOR PERIOD ADJUSTMENTS (CONTINUED)</b>	
Correction of journal - and payment allocations relating to Auditor General Accounts	274 074
Effect on Taxes - Refer to note 47.04	(32 882)
Effect on Finance Charges, Other income and Audit Fees - Refer to note 47.15	306 956
Reverse duplicated entries incorrectly capitalised to movable asset additions	(19 074)
Effect on Taxes - Refer to note 47.04	(1 135)
Effect on Property Plant and Equipment - Refer to note 47.08	(17 939)
Correction of current account balance up to 30 June 2017 - Refer to note 47.01	107 771
Correction of current account balance during 2017/2018 - Refer to note 47.01	673 341
Effect on Other Creditors	374 130
Effect on Sundry Deposits	299 211
Correction of sundry payables incorrectly stated on 30 June 2017 - Refer to note 47.14	(9 443 994)
Correction of trade payables incorrectly stated on 30 June 2017 - Refer to note 47.14	2 182 684
Correction of trade payables incorrectly stated on 30 June 2018 - Refer to note 47.15	(1 343 253)
Correction of entries incorrectly allocated to payments in advance on 30 June 2018 - Refer to note 47.15	14 801
Control account with credit balance incorrectly disclosed as receivables - Refer to note 47.03	834 741
<b>Restated Balance on 30 June 2018</b>	<b>208 724 878</b>
<b>47.12 CURRENT EMPLOYEE BENEFITS</b>	
<b>Balance Previously Reported</b>	<b>14 562 219</b>
Account for movement on bonus provision during 2017/2018 previously not accounted for - Refer to note 47.15	(131 356)
<b>Restated Balance on 30 June 2018</b>	<b>14 430 863</b>
<b>47.13 EMPLOYEE BENEFITS</b>	
<b>Balance Previously Reported</b>	<b>27 860 238</b>
Accurately account for actual payments towards long service awards during 2017/2018 - Refer to note 47.15	(25 206)
<b>Restated Balance on 30 June 2018</b>	<b>27 835 032</b>

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2018 R
<b>47 PRIOR PERIOD ADJUSTMENTS (CONTINUED)</b>	
<b>47.14 ACCUMULATED SURPLUS</b>	
<b>Balance Previously Reported</b>	<b>342 071 468</b>
Corrections included in Statement of Financial Performance during 2017/18 - Refer to note 47.15	36 184 983
Correction on 30 June 2017	50 781 181
Correction of AGSA outstanding balance on 30 June 2017 - Refer to note 47.11	3 792 973
Correction of outstanding Eskom balance (Bulk Accounts) on 30 June 2017 - Refer to note 47.11	22 397 284
Correction of current account balance up to 30 June 2017 - Refer to note 47.01	(628)
Correction of Depreciation up to 30 June 2017 (PPE) - Refer to note 47.08	19 348 192
Investment Property Disposals previously not recognised - Refer to note 47.07	(13 548)
Correction of sundry payables incorrectly stated on 30 June 2017 - Refer to note 47.11	9 443 994
Correction of staff balances on 30 June 2017 - Refer to note 47.03	(845)
Correction of trade payables incorrectly stated on 30 June 2017 - Refer to note 47.11	(2 182 684)
Correction of Other Debtor balances on 30 June 2017 - Refer to note 47.03	(1 825 362)
Correction of Service and Other Charges incorrectly raised up to 30 June 2017 - Refer to note 47.02	(121 539)
Correction of Consumer Deposits incorrectly recorded on merger date (Gariep) - Refer to note 47.10	(56 656)
<b>Restated Balance on 30 June 2018</b>	<b>429 037 633</b>

### 47.15 STATEMENT OF FINANCIAL PERFORMANCE

<b>Deficit previously reported</b>	<b>(15 742 920)</b>
Balance on Other Creditors (Best Funeral) incorrectly allocated to Acting Allowance (Income and Expense vote) - Refer to note 47.11	(71 521)
Account for interest capitalised during 2017/2018 previously not accounted for (Fixed Deposits) - Refer to note 47.06	111 709
Account for interest capitalised during 2017/2018 previously not accounted for (Call Accounts) - Refer to note 47.01	6 008
Account for Accrued Interest on Fixed deposits up to 30 June 2018 - Refer to note 47.03	3 856
Accurately account for actual payments towards long service awards during 2017/2018 (Actuarial Gain) - Refer to note 47.13	25 206
Account for interest on Eskom Accounts previously not recorded - Refer to note 47.11	(4 459 290)

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2018 R
<b>47 PRIOR PERIOD ADJUSTMENTS (CONTINUED)</b>	
Correction of journal - and payment allocations relating to bulk Eskom Accounts - Refer to note 47.11	732 637
Effect on Finance Charges	732 601
Effect on Bulk Purchases	36
Wheeling Charges previously not recognised (Eskom) - Refer to note 47.11	153 710
COGHTA Assistance previously not recognised (Eskom) - Refer to note 47.11	39 918 000
Correction of journal - and payment allocations relating to Auditor General Accounts - Refer to note 47.11	(306 956)
Effect on Finance Charges	83 317
Effect on Other Revenue	297
Effect on Other Expenditure (Audit Fees)	(390 570)
Correction VAT treatment on National Treasury Rebate received - Refer to note 47.04	(386 170)
Incorrect allocation of National Treasury Audit Fees Grant received	-
Effect on Other Expenditure (Audit Fees)	(5 368 780)
Effect on Government Grants and Subsidies	5 368 780
Fines and Bank Charges incorrectly allocated to Interest paid hire purchases	-
Effect on Other Expenditure	(183)
Effect on Fines	6 550
Effect on Finance Charges	(6 367)
Correct allocation where EPWP expenditure were allocated in excess of available expenditure incurred	-
Effect on Other Expenditure	(62 644)
Effect on Repairs and Maintenance	62 644
Account for movement on bonus provision during 2017/2018 previously not accounted for - Refer to note 47.12	131 356
Account for Donated Assets received during 2017/18 - Refer to note 47.08	21 942
Movable assets incorrectly expensed during 2017/18 - Refer to note 47.08	1 050
Correction of current account balance during 2017/2018 - Refer to note 47.01	1 172
Town Hall Salaries incorrectly capitalised as part of movable assets - Refer to note 47.08	(47 684)
Valuation costs incorrectly included as part of Operating Grant Expenditure	-
Effect on Other Expenditure	(34 070)
Effect on Operating Grant Expenditure	34 070

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2018 R
<b>47 PRIOR PERIOD ADJUSTMENTS (CONTINUED)</b>	
Correction of Depreciation during 2017/18 (PPE) - Refer to note 47.08	(259 462)
Correction of Amortisation during 2017/18 - Refer to note 47.09	(1 121)
Correction of Depreciation during 2017/18 (Investment Property) - Refer to note 47.07	(96 756)
Investment Property Disposals previously not recognised - Refer to note 47.07	(99 596)
Account for movement in inventory previously not accounted for during 2017/2018 - Refer to note 47.05	(245 292)
Effect on Repairs and Maintenance	(292 916)
Effect on Other Expenditure	47 624
Correction of trade payables incorrectly stated on 30 June 2018 - Refer to note 47.11	1 343 253
Effect on Transfers and Grants	(60 300)
Effect on Repairs and Maintenance	(673 106)
Effect on Operating Grant Expenditure	3 680 099
Effect on Other Expenditure	(1 603 440)
Correction of entries incorrectly allocated to payments in advance on 30 June 2018 - Refer to note 47.11	(14 801)
Effect on Interest Earned - outstanding debtors	(6 549)
Effect on Other Income	(8 251)
Correction of Rates Receivable incorrectly raised during 2017/2018 - Refer to note 47.03	(69 087)
Effect on Property Rates	(68 272)
Effect on Interest Earned - outstanding debtors	(816)
Correction of Service and Other Charges incorrectly raised during 2017/2018 - Refer to note 47.02	(248 899)
Effect on Service Charges	(136 746)
Effect on Rental of Facilities and Equipment	(107 426)
Effect on Interest Earned - outstanding debtors	(6 614)
Effect on Other Income	1 887
Correction of staff balances incorrectly recorded during 2017/2018 (Other Expenditure) - Refer to note 47.03	(1 572)
Insurance receipt relating to funeral costs previously not raised - Refer to note 47.03	43 291
<b>Restated Surplus on 30 June 2018</b>	<b>20 442 063</b>

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

48

### CASH FROM OPERATIONS

	2019 R	2018 R
Net Surplus/(Deficit) for the year	(52 987 188)	20 442 063
Non-Cash Expenditure and Revenue	63 773 749	51 694 638
Actuarial Gains	(1 051 793)	(2 874 386)
Actuarial Losses	289 293	-
Fair Value Adjustments (Expense)	293 576	595 020
Loss on Disposal of Fixed Assets	26 148	99 596
Debt Impairment	31 216 536	21 527 184
Depreciation and Amortisation	29 098 337	28 752 774
Finance Charges	3 901 653	3 594 450
Contributions - Provisions and Employee Benefits	5 131 279	7 886 664
Post Retirement Medical Benefits	1 019 961	1 172 682
Long Service Awards	532 800	531 634
Bonuses	4 078 170	4 052 357
Staff Leave	(499 651)	1 295 731
Compensation for Injury on Duty	-	834 261
Expenditure - Provisions and Employee Benefits	(5 795 612)	(7 432 745)
Post Retirement Medical Benefits	(862 335)	(606 768)
Long Service Awards	(409 963)	(177 376)
Bonuses	(4 113 864)	(4 183 713)
Staff Leave	(409 451)	(1 630 628)
Compensation for Injury on Duty	-	(834 261)
Other adjustments	(18 418 548)	(12 549 920)
Bad Debts Written Off	(11 062 548)	(10 027 920)
Grants Withheld	(7 356 000)	(2 522 000)
Operating Surplus before changes in working capital	(8 296 320)	60 040 701
Movement in working capital	32 763 115	(39 402 281)
Receivables from exchange and non-exchange transactions	(20 354 387)	(21 065 373)
Inventory	(316 345)	245 292
Payables from exchange transactions	56 169 995	(10 051 491)
Unspent Conditional Government Grants	4 452 716	789 917
Taxes	(7 188 864)	(9 320 627)
<b>Cash Flow from Operating Activities</b>	<b>24 466 796</b>	<b>20 638 420</b>

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<b>49 CASH AND CASH EQUIVALENTS</b>		
Cash and Cash Equivalents comprise out of the following:		
Current Accounts	4 422 405	5 129 113
Call Investments and Notice Deposits	8 999 828	889 040
Cash Floats	18 264	18 264
<b>Total</b>	<b>13 440 497</b>	<b>6 036 417</b>

Refer to note 2 for more details relating to cash and cash equivalents.

## **50 BUDGET COMPARISONS**

### **50.1 COMPARABLE BASIS**

Differences were identified between the disclosure requirements in terms of GRAP and the reporting requirements in terms of National Treasury budget formats.

The following items are affected by these classification differences:

#### **Statement of financial position**

Consumer Debtors consist out of both Receivables from Exchange Transactions as well as the Rates Receivable.

Other Receivables incorporate all other current receivable balances not specifically provided for in the National Treasury formats.

Trade and Other Payables incorporates Payable from exchange transactions, Unspent grants, Unspent public contributions, Taxes and Operating lease liabilities.

Employee Benefits and Provisions (Current and Non-Current) are included under the provisions line item in the budget statements.

#### **Statement of financial performance**

The statement of financial performance is comparable on a line by line basis except for the following items:

The budget statements does not provide for all the different revenue classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Revenue in the budget statement. Other revenue per budget statement consist out of the following line items - Public Contributions and donations, Other Income, Actuarial Gains and Insurance Receipts.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 50 BUDGET COMPARISONS (CONTINUED)

Depreciation and Amortisation and Impairments are aggregated on the budget statements while it is shown separately on the Statement of Financial Performance

The budget statements does not provide for all the different expenditure classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Expenditure in the budget statement. Other Expenditure per budget statement consist out of the following line items - Other Expenditure, Repairs and Maintenance, Operating Grant Expenditure, Fair Value Adjustments and Actuarial Losses.

#### Cash Flow Statement

The Cash Flow Statement is presented on a comparable basis.

### 50.2 MATERIAL VARIANCES

#### Statement of financial position - Budget Adjustments

Cash and Cash Equivalents	Budget not accurately aligned to prior year audited actuals.
Consumer debtors	Budgeted figures were not sufficiently reduced in line with the recoverable amount by means of a sufficient allocation to debt impairment
Other Receivables	Budget did not provide for the increase in taxes that was not anticipated for during the compilation of the budget.
Investment property	Budget not accurately aligned to prior year audited actuals
Property, plant and equipment	Budget not accurately aligned to prior year audited actuals
Heritage Assets	Budget not accurately aligned to prior year audited actuals
Trade and other payables	Variance mainly due to the fact that the budget did not fully account for the current financial position of the municipality and its ability to settle debt when it becomes due.
Provisions and Employee Benefits	Budget not accurately aligned to prior year audited actuals

#### Statement of financial position - Budget versus Actual

Cash and Cash Equivalents	Budget did not fully account for financial constraints the municipality finds itself in.
Consumer debtors	Budget assumptions not aligned the recent trends
Other Receivables	Incorrectly budgeted for this line



# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

50

### BUDGET COMPARISONS (CONTINUED)

Trade and other payables	Payables significantly higher than anticipated during the budget, especially Eskom.
Provisions and Employee Benefits	No budget allocation of leave, bonuses and other short term employee benefits
Accumulated Surplus	Refer to material variance on other components of statement of financial performance and financial position

### Statement of financial performance - Budget Adjustments

Property rates	Due to low collection rate than anticipated hence the decrease
Service charges - electricity revenue	Due to low collection rate than anticipated hence the decrease
Service charges - refuse revenue	Due to low collection rate than anticipated hence the decrease
Agency services	Low collection rate in agency services
Government Grants and Subsidies - Operating	DSRAC subsidy grant was not budget for, and arrived late.
Employee related costs	Budget to high considering that no new positions were to be filled during the year under review.
Remuneration of councillors	High estimation for council remuneration
Finance charges	The budget did not take into account significant interest payments made on arrear accounts.
Bulk purchases	Budget for bulk purchases did not take into account the significant increase in electricity sales that materialised in the current year.
Other expenditure and Materials	Due to the municipality's cashflow budget repairs and maintenance amount could not be fully utilised.

### Statement of financial performance - Budget versus Actual

Property rates	Budget not in line with recent trends
Service charges - electricity revenue	Expected increase did not materialise

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

50

### BUDGET COMPARISONS (CONTINUED)

Service charges - refuse revenue	Budget not in line with recent trends and actuals
Interest earned - outstanding debtors	Budget not in line with recent trends and actuals
Licences and permits	Revenue did not materialise as expected
Government Grants and Subsidies - Operating	Demarcation grant returned to NT resulting in under performance
Other revenue	Assistance received from COGTA not budgeted for
Debt impairment	Budget allocation relating to Debt Impairment not in line with actual trends.
Depreciation & asset impairment	Budget not aligned to recent actual results
Finance charges	Significant increase in outstanding payables resulting in high finance charges being incurred.
Bulk purchases	Budget not aligned to recent actual results as well as increases passed through to the municipality by Eskom
Other expenditure and Materials	Budget not aligned to recent actual results
Government Grants and Subsidies - Capital	Underspending on capital grants (MIG)

### Cash Flow Statement - Budget Adjustments

No Adjustments

### Cash Flow Statement - Budget versus Actual

Property rates	Budget not in line with recent trends
Service charges	Budget too excessive and not in line with recent trends
Government - Operating	Budget not in line with DORA
Government - Capital	Budget not in line with DORA

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 50 BUDGET COMPARISONS (CONTINUED)

Suppliers and Employees	Significant increase in trade payables resulting in underspending from a cash perspective.
Finance charges	Significant increase in outstanding payables resulting in high finance charges being incurred.
Transfers and Grants	Incorrectly budgeted for this item. Too excessive.
Capital assets	Underspending of capital budget
Cash and Cash Equivalents at the beginning of the year	Budget not aligned to audited results on 30 June 2018
Cash and Cash Equivalents at the end of the year	Refer to items above

### 51 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

#### 51.1 UNAUTHORISED EXPENDITURE

Unauthorised expenditure consist out of the following:

Opening Balance	219 665 361	146 854 988
Unauthorised expenditure current year - operating	77 268 996	61 806 362
Unauthorised expenditure current year - capital	1 122 293	1 373 479
Grant funding utilised for operating purposes	-	9 630 533
Written off by Council	-	-
<b>Unauthorised expenditure awaiting approval</b>	<b>298 056 651</b>	<b>219 665 361</b>

Unauthorised expenditure only relates to expenditure in excess of approved budget votes. No disciplinary steps or criminal proceedings were instituted as a result of unauthorised expenditure incurred. Variance analysis was performed and submitted to Council to write off.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 51 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)

	2019 (Actual) R	2019 (Final Budget) R	2019 (Unauthorised) R
<b>Unauthorised expenditure - Operating</b>			
Executive and Council	25 373 228	15 201 514	10 171 714
Office of the Municipal Manager	10 558 078	15 414 812	-
Budget and Treasury Office	45 726 567	35 305 939	10 420 628
Technical Services	157 324 897	122 367 408	34 957 489
Corporate Services	19 327 424	16 836 246	2 491 178
Community Services	54 268 979	35 040 991	19 227 988
<b>Total</b>	<b>312 579 172</b>	<b>240 166 910</b>	<b>77 268 996</b>

	2019 (Actual) R	2019 (Final Budget) R	2019 (Unauthorised) R
<b>Unauthorised expenditure - Capital</b>			
Executive and Council	29 388	20 000	9 388
Office of the Municipal Manager	53 368	30 000	23 368
Budget and Treasury Office	431 096	1 710 001	-
Technical Services	15 440 954	22 972 500	-
Corporate Services	88 590	30 000	58 590
Community Services	1 030 947	-	1 030 947
<b>Total</b>	<b>17 074 342</b>	<b>24 762 501</b>	<b>1 122 293</b>

<b>2019</b>	<b>2018</b>
<b>R</b>	<b>R</b>

### 51.2 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure consist out of the following:

Opening Balance	60 869 875	46 603 279
Fruitless and wasteful expenditure incurred	23 252 488	14 266 596
Written off by Council	-	-
<b>Fruitless and wasteful expenditure awaiting approval</b>	<b>84 122 363</b>	<b>60 869 875</b>

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<b>51 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)</b>		
Details of Fruitless and wasteful expenditure incurred :		
Interest on late payments	22 716 526	13 524 929
Overpayment of creditors	-	169 599
Penalties and interest incurred - SARS	535 962	572 068
<b>Total</b>	<b>23 252 488</b>	<b>14 266 596</b>

No disciplinary steps or criminal proceedings were instituted as a result of fruitless and wasteful expenditure incurred.

### 51.3 IRREGULAR EXPENDITURE

Irregular expenditure consist out of the following:

Opening Balance	44 653 414	39 832 941
Previously Reported		48 114 622
Adjustment relating to amount Transferred from Gariep Local Municipality on merger date		(8 281 680)
Irregular expenditure incurred	19 384 435	4 820 472
Approved by Council	-	-
<b>Irregular expenditure awaiting approval</b>	<b>64 037 848</b>	<b>44 653 414</b>

Details of Irregular expenditure incurred :

Deviation not valid	1 019 199	-
No contract with municipality	363 480	-
Not registered on CSD	1 013 426	-
Insufficient quotes obtained	540 035	-
Month-to-Month Contract	1 962 013	-
Bid advertised less than 30 days (SCM Reg 36(2))	10 827 000	-
Non-disclosure of Interest (Family)	35 000	-
Contract Value Exceeded (SCM Reg 32)		
- Siyanda Business Solutions (Pty) Ltd	525 287	-
- Mubesko Africa (Pty) Ltd	495 077	-
Irregular placement of staff	1 695 968	-
SCM Procedures not followed	907 949	4 820 472
<b>Total</b>	<b>19 384 435</b>	<b>4 820 472</b>

No disciplinary steps or criminal proceedings were instituted as a result of irregular expenditure incurred.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<b>51 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)</b>		
<b>51.4 MATERIAL LOSSES</b>		
<b>Electricity distribution losses</b>		
- Units purchased (Kwh)	88 772 394	88 334 402
- Units sold (Kwh)	69 925 700	74 103 458
- Units lost during distribution (Kwh)	18 846 694	14 230 944
- Percentage lost during distribution	21.23%	16.11%
- Rand Value of Loss	11 673 608	7 025 599

The root causes of these losses are technical and administrative in nature. Technical losses are distribution network electrical losses inherent in the physical delivery of electric energy. It includes conductor losses, transformer core losses, and potential/current coils in metering equipment. Administrative losses includes distribution network losses that accounts for the electric energy used by the distribution utility in the proper operation of the distribution network.

## **52 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

### **52.1 Salga Contributions [MFMA 125 (1)(b)]**

Opening balance	6 006 932	5 104 743
Expenditure incurred	993 814	902 189
<b>Outstanding Balance</b>	<b>7 000 746</b>	<b>6 006 932</b>

### **52.2 Audit Fees [MFMA 125 (1)(c)]**

#### **Auditor General (AGSA)**

Opening balance	6 644 530	9 185 971
Expenditure incurred	8 322 722	7 230 770
Audit Fees	7 237 149	6 338 791
VAT	1 085 572	891 979
Payments	(4 149 162)	(3 457 932)
Interest on Outstanding Audit Fees	424 916	820 254
Interest waived by Auditor General	(447 338)	(1 014 124)
National Treasury Rebates Received	(6 778 513)	(6 120 409)
<b>Outstanding Balance</b>	<b>4 017 153</b>	<b>6 644 530</b>
<b>Other Audit Fees incurred</b>		
Audit Committee	105 850	-

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<b>52 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)</b>		
<b>52.3 VAT [MFMA 125 (1)(c)]</b>		
Opening balance	(10 084 742)	959 335
Movement during the year	(2 754 471)	(11 044 077)
<b>Outstanding Balance</b>	<b>(12 839 213)</b>	<b>(10 084 742)</b>
<b>Vat in suspense due to cash basis of accounting</b>	<b>(34 174 289)</b>	<b>(29 739 897)</b>
VAT is accounted for on the cash basis.		
<b>52.4 PAYE, SDL and UIF [MFMA 125 (1)(c)]</b>		
Opening balance	(40 931)	-
Payments due to SARS	11 602 962	10 102 522
Payments	(11 121 129)	(10 143 453)
<b>Outstanding Balance</b>	<b>440 903</b>	<b>(40 931)</b>
<b>52.3 PENSION AND MEDICAL AID CONTRIBUTIONS [MFMA 125 (1)(c)]</b>		
Opening balance	16 662 643	16 662 643
Payments due to pension fund and medical aid	19 305 817	17 979 929
Payments	(19 305 817)	(17 979 929)
<b>Outstanding Balance</b>	<b>16 662 643</b>	<b>16 662 643</b>
<b>52.5 COUNCILLORS ARREAR ACCOUNTS [MFMA 124 (1)(b)]</b>		
The following Councillors had arrear accounts outstanding for more than 90 days during the year ending 30 June 2019.		
	<b>90 Days R</b>	<b>90 Days R</b>
Cllr VA Schoeman	-	1 321
Cllr N Ngubo	-	1 509
Cllr Y Zweni	-	6 804
Cllr Z Mqokrwana	18 984	38 700
Cllr M Solani	7 953	4 033
Cllr L Nkunzi	-	7 383
Cllr AJ van Heerden	-	1 155
Cllr B Khweyiya	602	16 101
Cllr NS Mathetha	3 278	-
Cllr KS Lange	333	-

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<b>52 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)</b>		
<b>52.6 QUOTATIONS AWARDED - DEVIATIONS FROM SCM</b>		
During the year under review the municipality procured goods and services in accordance with the requirements of the supply chain management policy and all deviations from the policy and its related regulations were noted and condoned by council.		
Impractical to follow SCM process	880 371	2 386 992
Emergency	504 121	236 553
Single provider	19 462	85 440
Special Works	-	41 477
<b>Total</b>	<b>1 403 953</b>	<b>2 750 462</b>
<b>52.7 OTHER NON-COMPLIANCE [MFMA 125(2)(e)]</b>		
The municipality did not comply with section 65 (2) (e) of the MFMA. All reasonable steps to ensure, that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure, was not taken.		
<b>52.8 TRADING WITH EMPLOYEES IN SERVICE OF THE STATE</b>		
During the year under review, the municipality engaged with the following employees in service of the state (SCM 44)		
None		
<b>53 CAPITAL COMMITMENTS</b>		
Approved and contracted for - Infrastructure	<b>1 033 606</b>	<b>1 243 699</b>
Steynsburg Link Road	236 570	-
Construction of Paving in Maletswai - Upgrading	396 686	-
Electrification of Dukathole 392 Stands	400 351	-
Upgrading of Burgersdorp Sport Facility	-	428 629
Nozizwe Access Road	-	411 792
Maletswai Paving Project 2	-	403 278
<b>Total</b>	<b>1 033 606</b>	<b>1 243 699</b>



# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<b>53 CAPITAL COMMITMENTS</b>		
All Commitments will be financed from Government Grants.		
<b>54 FINANCIAL RISK MANAGEMENT</b>		
The municipality is potentially exposed to the following risks:		
<b>54.1 Credit Risk</b>		
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.		
The following financial assets are exposed to credit risk:		
Cash and Cash Equivalents	13 422 233	6 018 153
Receivables from exchange transactions	22 641 501	23 096 108
Receivables from non-exchange transactions	6 569 287	6 035 761
Non-Current Investments	1 598 248	1 480 547
<b>Total</b>	<b>44 231 269</b>	<b>36 630 569</b>

### Cash and Cash Equivalents and Non-Current Investments

Deposits of the municipality is only held at reputable banks that are listed on the JSE. The credit quality is regularly monitored through required SENS releases by the various banks. The risk pertaining to these deposits are considered to be very low.

There are no restrictions on the cash deposits held and no cash were pledged as security. No collateral is held for any cash and cash equivalents.

### Receivables

Receivables comprise of a large number of users, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to receivables are considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	2019 R	2018 R
<b>54 FINANCIAL RISK MANAGEMENT (CONTINUED)</b>		
Receivables are disclosed after taking into account the provision for impairment raised against each class of receivable.		
Receivables are payable within 30 days. All receivables outstanding for more than 30 days are considered to be passed due.		
Refer to notes 3 and 4 for more information regarding the provision for impairment raised against each service type as well as receivables considered to be passed due.		
No receivables were pledged as security for liabilities and no collateral is held from any consumers (other than consumer deposits).		
The following service receivables are considered passed due (more than 30 Days Outstanding):		
Rates	29 367 560	24 851 909
Electricity	30 204 796	19 616 924
Refuse	59 538 513	51 271 368
Other	19 533 574	17 764 131
<b>Total</b>	<b>138 644 443</b>	<b>113 504 333</b>

Rates is not considered to be a financial asset, but is included in analysis for user purposes.

### Long Term Receivables (including current portion)

Long Term Receivables are disclosed after taking into account any provision for impairment raised against the outstanding balance. Each outstanding balance are individually assessed for impairment.

No receivables were pledged as security for liabilities and no collateral is held from any of the counter parties.

### **54.2 Currency risk (Market Risk)**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The financial instruments of the municipality is not directly exposed to any currency risk.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 54 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 54.3 Interest rate risk (Market Risk)

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The following balances are exposed to interest rate fluctuations:

Cash and Cash Equivalents (Excluding Cash on Hand)	13 422 233	6 018 153
Non-Current Investments	1 598 248	1 480 547
Long-term Liabilities (Including Current Portion)	2 385 882	2 888 500
Non-Current Provisions	27 582 752	26 072 831
<b>Net balance exposed</b>	<b>44 989 115</b>	<b>36 460 031</b>

Although the non-current provision is not defined as a financial instrument, the potential effect of changes in interest rates used to discount this balance over time, is included for the benefit of the user of the financial statements.

Potential effect of changes in interest rates on surplus and deficit for the year/period:

0.5% increase in interest rates	224 946	182 300
1% decrease in interest rates	(449 891)	(364 600)

South Africa have reached the turning point in the rates cycle and any further upward adjustments are remote.

#### 54.4 Liquidity risk

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is mitigated by approving cash funded budgets at all times to ensure commitments can be settled once due over the long term. The municipality also monitors its cash balances on a daily basis to ensure cash resources are available to settle short term obligations.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 54 FINANCIAL RISK MANAGEMENT (CONTINUED)

The following balances are exposed to liquidity risk:

30 JUNE 2019	PAYABLE		
	Within 1 Year	Two to five years	After five years
Annuity Loans	405 559	1 622 236	1 418 564
Hire Purchases	254 160	84 720	-
Payables from exchange transactions	255 800 071	-	-
<b>Total</b>	<b>256 459 790</b>	<b>1 706 957</b>	<b>1 418 564</b>

  

30 JUNE 2018	PAYABLE		
	Within 1 Year	Two to five years	After five years
Annuity Loans	598 029	1 622 236	1 823 910
Hire Purchases	253 559	316 949	-
Payables from exchange transactions	201 189 293	-	-
<b>Total</b>	<b>202 040 881</b>	<b>1 939 185</b>	<b>1 823 910</b>

### 54.5 Other price risk (Market Risk)

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The municipality is not exposed to any other price risk.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

		2019 R	2018 R
<b>55</b>	<b>FINANCIAL INSTRUMENTS</b>		
	The municipality recognised the following financial instruments (All balances are recognised at amortised cost.)		
	<u>Financial Assets</u>		
	Cash and Cash Equivalents	13 440 497	6 036 417
	Receivables from exchange transactions	22 641 501	23 096 108
	Receivables from non-exchange transactions	6 569 287	6 035 761
	Non-Current Investments	1 598 248	1 480 547
	<b>Total</b>	<b>44 249 533</b>	<b>36 648 833</b>
	<u>Financial Liabilities</u>		
	Current Portion of Long-term Liabilities	502 842	657 687
	Payables from exchange transactions	255 800 071	201 189 293
	Long-term Liabilities	1 883 040	2 230 813
	<b>Total</b>	<b>258 185 953</b>	<b>204 077 793</b>
<b>56</b>	<b>STATUTORY RECEIVABLES</b>		
	In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:		
	Rates	3 870 023	3 748 543
	Taxes	47 013 502	39 824 639
	<b>Total</b>	<b>50 883 525</b>	<b>43 573 182</b>
	Refer to notes 4 and 6 for more detail relating to the rates receivables and taxes		
<b>57</b>	<b>EVENTS AFTER REPORTING DATE</b>		
	None		
<b>58</b>	<b>IN-KIND DONATIONS AND ASSISTANCE</b>		
	The municipality received assistance from COGTA during the period under review. Refer to note 25		

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 59 PRIVATE PUBLIC PARTNERSHIPS (PPP's)

The municipality did not enter into any PPP's in the current and prior year.

### 60 CONTINGENT LIABILITIES

The municipality were exposed to the following contingent liabilities at year end:

	2019 R	2018 R
<b>60.01</b> Pollard Familie Trust	1 000 000	1 000 000

The trustees of the Pollard Family Trust has submitted a litigation claim for damage made by the municipality's Buffaloes that broke out of the Buffelspruit Nature reserve and grazed on the farm of the applicant. The applicant's farmer is mostly veld pasture with approximately 22 hectares of planted pastures, currently under Lucerne cultivation. The applicant established the Lurcene explicitly for hay production as an income for the farm. The applicant suffered damages due to the respondent's Buffaloes' unauthorised grazing on the Lurcene pastures.

<b>60.02</b> Pioneer Foods (SASKO)	145 000 000	145 000 000
------------------------------------	-------------	-------------

Pioneer Foods instituted an application on 8 December 2018 which led to the 11 December 2018 Walter Sisulu order by the Gauteng High Court. Eskom was ordered to comply with the court order not to interrupt the supply of electricity to the Walter Sisulu Municipality and Pioneer Foods. The municipality was cited as second respondent to the case. The applicant has obtained the relief from specific Court they require, namely uninterrupted electricity supply to their client, Pioneerfoods/Sasko, Aliwal North. To date no Order has been compelling us as, 2nd Respondent, to pay our full outstanding debt to Eskom. Our mandate was to legally do what is necessary to avoid such an Order, as it could financially cripple our client, the 2nd Respondent.

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

		2019 R	2018 R
<b>60</b>	<b>CONTINGENT LIABILITIES (CONTINUED)</b>		
<b>60.03</b>	Nomagwayi Developers (SA) (Pty) Ltd	3 000 000	3 000 000
	Nomagwayi Developers filed a law suit against the erstwhile Maletswai Local Municipality for failure to honour the tripartite agreement to avail 420 erven for low costs housing project in Aliwal North, Area 13. The contractor claimed loss of income anticipated from conveyancing fees.		
<b>60.04</b>	TA Mawonga (Case 1)	-	Not Specified
<b>60.05</b>	TA Mawonga (Case 2)	2 000 000	-
	The employee is a professional nurse working for the department of Health. She was using the municipal community hall when she due to wooden floor that collapsed whilst she was conducting a workshop in the hall. She claim damages.		
<b>60.06</b>	Master Maize - H2O Cavil's	840 000	-
	Master Maize was appointed by erstwhile Gariep Municipality to complete the remainder of scope of works at Burgersdorp Town Hall. The contractor pursue outstanding payments by means of court proceedings due to fail of the municipality to pay the outstanding fees claimed.		
<b>60.07</b>	Thunyelwa Moyakhe	Not Specified	-
	The applicant is an employee of the department of Health. She was on duty was conducting a workshop in Venterstad Municipal Community Hall. The wooden floor collapsed and the employees was severely injured. As a result legal claim against the municipality for damages was pursued.		

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

		2019 R	2018 R
<b>60</b>	<b>CONTINGENT LIABILITIES (CONTINUED)</b>		
<b>60.08</b>	LS Morolong	35 000	35 000
	Letter of demand was received from Scorpion Legal Protection claiming compensation, after the plaintiff's motorcycle was damaged as an alleged result of potholes in Durban Street, Aliwal North within our client's jurisdiction. Through consultation and correspondence we successfully defended the municipality and no further legal steps were taken as a Summons.		
<b>60.09</b>	Andries Pienaar	100 000	100 000
	A Summons was received by our client in terms whereof the Plaintiff, a former employee of our client claimed his Pension benefits. Through consultation and correspondence with the former Administrator and through settlement proposals made, the plaintiff understood that the municipality would fulfil their legal obligation towards the pension fund, so that the pension fund could pay out the plaintiff. A direct payout from our client, the former employee to the plaintiff would not be proper and the administration made this clear. We have thus defended our client in this matter to date.		
<b>60.10</b>	Lebe Mero Transport	130 000	130 000
	A contractor working in Mzamohle, Burgersdorp utilised a heavy truck which truck cross the bridge in Mzamohle wrongfully and unlawfully travelled on the side walk and broke such side walk concrete slabs falling through and damaging the truck. Summons was issued by the Insurance Company who had repaired this truck against us a possible liable party. The writer was instructed to defend the municipality and after consultation with the Administrator, it became clear that the Technical Service manager had dealt with this matter comprehensively at the scene. The driver and contractor admitted at the scene that this damage to the bridge was their fault and they repaired the bridge at their own cost. This was put in writing to the Attorneys for the Plaintiff and they have taken no further legal steps since. We have thus been successful in defending the municipality in this matter to date.		



# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

		2019 R	2018 R
<b>60</b>	<b>CONTINGENT LIABILITIES (CONTINUED)</b>		
<b>60.11</b>	Phumelela Dlomo JV Kantera	180 000	-
	<p>The municipality was litigated by the aggrieved contractors that were not appointed for paving project in Steynsburg. The municipality and the appointed contractor were interdicted and restrained from performing any rights and obligations (including the works) arising from Tender Bid number 67/2018 pertaining to the tender known as "Upgrading of Steynsburg internal roads from gravel to paving" ("the Tender") pending the outcome of an application to be brought by the applicant for the reviewing and setting aside of the award of the tender to fourth respondent. The municipality defended the case.</p>		
<b>60.12</b>	Iziquhamo Zethu JV Noble Money	180 000	-
	<p>The municipality was litigated by the aggrieved contractors (Joint Venture) that were not appointed for paving project in Steynsburg. The municipality and the appointed contractor were interdicted and restrained from performing any rights and obligations (including the works) arising from Tender Bid number 67/2018 pertaining to the tender known as "Upgrading of Steynsburg internal roads from gravel to paving" ("the Tender") pending the outcome of an application to be brought by the applicant for the reviewing and setting aside of the award of the tender to fourth respondent. The municipality defended the case.</p>		
<b>60.13</b>	CCMA/SALGBC Cases	7 517 067	-
	<p>Various CCMA cases. SAMWU obo employees lodged an Unfair Labour Practice to the SALGBC - EC for the reversal of EPWP employees who were erroneously absorbed by council. They want to be reinstated retrospectively. i.e. 01 July 2018.</p>		
<b>Total</b>		<b>159 982 067</b>	<b>149 265 000</b>

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 61 RELATED PARTIES

Related parties are defined in note 1.36

All rates, service charges and other charges in respect of related parties are in accordance with approved tariffs that were advertised to the public. No impairment charge have been recognised in respect of amounts owed by related parties.

Other related parties transactions relates to the acquisition of goods under terms and conditions applicable to open market trading on a willing buyer and seller principles. The payment terms are not favourable to other transactions (other related parties) and are not secured or encumbered. Settlement terms are in accordance with the general terms of trade with no guarantees received or given. The provision for doubtful debts is not made as the municipality is not owed by the supplier and no bad debts expense was recognised on these related parties.

There are no loans outstanding to any related party. Since 1 July 2004 loans to councillors and senior management employees are not permitted.

Remuneration of related parties are disclosed in notes 35 and 36

The municipality engaged with related entities in service of the state (SCM 44) - Refer to note 52.8

Walter Sisulu Local Municipality provides a site in Obbiebron Flats to Joe Gqabi Development Agency at no cost to the entity.

### 62 FINANCIAL SUSTAINABILITY

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

#### Financial Indicators

The current liabilities at year end exceeded the current assets and this could result in the municipality being unable to settle all of its liabilities.

Management will continue to put measures in place to ensure that municipal current assets are in excess of the current liabilities. Expenditure patterns and budget control measures will be enforced to reduce the expenditure that lead to an increase in current liabilities.

The majority of outstanding debt owed to the municipality is outstanding for more than 90 days. The inability to recover old debt from consumers has placed constraints on the cash flow of the municipality resulting in

Management has continued to enforce the credit control measures through electricity disconnections, prepaid blockages and handover of long outstanding debts to attorneys.

The municipality experienced material losses in electricity usage to the value of R 11 673 608 ( R 7 025 599). This represents a loss of 21.23% (2018 - 16.11%).

# WALTER SISULU LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

### 63 FINANCIAL SUSTAINABILITY

#### Operating Indicators

Grant funding to the value of R 9 630 533 was utilised during 2017/18 to fund operations. All grants were cash funded on 30 June 2019

Outstanding payables (especially Eskom) are high with payment periods exceeding the 30 day limit in terms of legislation. This can mainly be attributed to the current cash constraints experienced by the municipality.

#### Other Indicators

The municipality has incurred unauthorised, irregular and fruitless & wasteful expenditure as shown in note 51 above.

# WALTER SISULU LOCAL MUNICIPALITY

## APPENDIX A (UNAUDITED)

### SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDING 30 JUNE 2019

INSTITUTION	LOAN NUMBER	RATE	REDEMPTION DATE	OPENING BALANCE 1 JULY 2018 R	RECEIVED DURING YEAR R	REDEEMED DURING YEAR R	CLOSING BALANCE 30 JUNE 2019 R
<b><u>ANNUITY LOANS</u></b>							
DBSA	102312	5.00%	2027/09/30	3 036 614	-	(256 773)	2 779 841
DBSA	102619	5.00%	2018/09/30	187 686	-	(187 686)	-
<b>Total Annuity Loans</b>				<b>3 224 300</b>	<b>-</b>	<b>(444 458)</b>	<b>2 779 841</b>
<b><u>HIRE PURCHASES</u></b>							
FNB (CHEVROLET TRAILBLAZER)	85237353353	10.00%	2020/10/01	239 112	-	(91 054)	148 059
FNB (NISSAN NP200 1.6)	85237353492	10.00%	2020/10/01	84 082	-	(32 018)	52 063
FNB (Chevrolet Aveo)	85237353505	10.00%	2020/10/01	93 542	-	(35 621)	57 921
FNB (Chevrolet Aveo)	85237353517	10.00%	2020/10/01	93 542	-	(35 621)	57 921
<b>Total Hire Purchases</b>				<b>510 278</b>	<b>-</b>	<b>(194 313)</b>	<b>315 965</b>
<b>Total Long-Term Liabilities</b>				<b>3 734 578</b>	<b>-</b>	<b>(638 772)</b>	<b>3 095 806</b>

# WALTER SISULU LOCAL MUNICIPALITY

## APPENDIX B (UNAUDITED)

### SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE (DEPARTMENTS) FOR THE YEAR ENDING 30 JUNE 2019

VOTE	30 JUNE 2019			30 JUNE 2018		
	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)
	R	R	R	R	R	R
Council	8 503 665	(25 373 228)	(16 869 563)	12 018 908	(28 086 987)	(16 068 079)
Municipal Manager	-	(6 085 935)	(6 085 935)	-	(5 578 432)	(5 578 432)
Strategic Services	-	(763 592)	(763 592)	-	(1 151 504)	(1 151 504)
Corporate Services	189 144	(15 679 645)	(15 490 501)	61 524	(11 290 503)	(11 228 978)
Occupational Health & Safety	-	26	26	-	-	-
Financial Services	73 167 262	(45 726 567)	27 440 696	70 135 427	(38 006 324)	32 129 103
Assessment Rates	23 113 584	-	23 113 584	19 842 848	-	19 842 848
Administration and Land Affairs	2 346 994	(2 239 766)	107 228	2 118 035	(6 365 936)	(4 247 900)
Information and Communication Technology	-	(1 144 957)	(1 144 957)	-	(686 697)	(686 697)
Integrated Development Planning	-	(854 828)	(854 828)	-	(3 588 238)	(3 588 238)
Special Program Unit	-	(1 098 942)	(1 098 942)	5	(502 577)	(502 572)
Local Economic Development	-	(1 039 107)	(1 039 107)	-	(626 486)	(626 486)
Planning and Economic Development	-	(715 674)	(715 674)	-	(1 464 685)	(1 464 685)
Community Services	-	(2 669 808)	(2 669 808)	-	(2 801 862)	(2 801 862)
Cemetery	397 428	(19 875)	377 554	469 210	11 867	481 077
Libraries	1 977 351	(2 837 679)	(860 328)	1 985 223	(2 404 747)	(419 524)
Conference Centre and Community Halls	107 202	(79 685)	27 517	78 860	(49 668)	29 192
Museum	-	(3 739)	(3 739)	-	(2 759)	(2 759)
Housing	-	(1 907 149)	(1 907 149)	-	(2 708 127)	(2 708 127)
Traffic	3 998 612	(5 394 344)	(1 395 732)	4 091 276	(5 665 437)	(1 574 162)
Sport Grounds	2 926	(32 534)	(29 607)	9 109 480	(16 473)	9 093 007
Aliwal Spa	384 219	(2 384 537)	(2 000 317)	446 369	(2 418 658)	(1 972 289)
Refuse Removal	18 821 880	(33 931 121)	(15 109 242)	19 136 000	(32 859 901)	(13 723 901)
Parks and Public Places	118 821	(6 609 727)	(6 490 905)	20 750	(5 812 886)	(5 792 136)
Technical Services	13 682	(3 679 798)	(3 666 117)	2 808	(3 200 874)	(3 198 066)
Public Works	12 096 844	(29 844 613)	(17 747 770)	18 969 270	(27 908 655)	(8 939 385)

# WALTER SISULU LOCAL MUNICIPALITY

## APPENDIX B (UNAUDITED)

### SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE (DEPARTMENTS) FOR THE YEAR ENDING 30 JUNE 2019

Electricity	113 992 268	(119 653 570)	(5 661 301)	154 113 432	(105 957 011)	48 156 421
Aerodrome	34 530	(4 900)	29 630	15 160	(2 896)	12 264
Commonage	158 990	(7 104)	151 886	152 123	(5 241)	146 882
Nature Reserve	1 696	(293 926)	(292 231)	121 985	(595 604)	(473 619)
Municipal Buildings	164 885	(2 502 849)	(2 337 963)	251 428	(2 950 758)	(2 699 330)
<b>Total</b>	<b>259 591 984</b>	<b>(312 579 172)</b>	<b>(52 987 188)</b>	<b>313 140 121</b>	<b>(292 698 058)</b>	<b>20 442 063</b>

# WALTER SISULU LOCAL MUNICIPALITY

## APPENDIX C (UNAUDITED)

### SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE (VOTES) FOR THE YEAR ENDING 30 JUNE 2019

VOTE	30 JUNE 2019			30 JUNE 2018		
	REVENUE R	EXPENDITURE R	SURPLUS/ (DEFICIT) R	REVENUE R	EXPENDITURE R	SURPLUS/ (DEFICIT) R
Executive and Council	8 503 665	(25 373 228)	(16 869 563)	12 018 908	(34 816 923)	(22 798 015)
Office of the Municipal Manager	-	(10 558 078)	(10 558 078)	-	-	-
Planning and Development	-	-	-	5	(6 181 986)	(6 181 981)
Budget and Treasury Office	96 280 847	(45 726 567)	50 554 280	92 157 834	(56 349 459)	35 808 375
Corporate Services	354 029	(19 327 424)	(18 973 395)	-	-	-
Public Safety	-	-	-	4 091 276	(5 665 437)	(1 574 162)
Road Transport	-	-	-	18 972 078	(31 109 529)	(12 137 451)
Other	-	-	-	540 696	(3 554 499)	(3 013 804)
Waste Management	-	-	-	19 156 750	(38 672 787)	(19 516 036)
Sport and Recreation	-	-	-	9 555 849	(2 435 131)	7 120 718
Community and Social Services	-	-	-	2 533 293	(5 247 169)	(2 713 876)
Community Services	26 003 655	(54 268 979)	(28 265 323)	-	-	-
Housing	-	-	-	-	(2 708 127)	(2 708 127)
Electricity	-	-	-	154 113 432	(105 957 011)	48 156 421
Technical Services	128 449 788	(157 324 897)	(28 875 109)	-	-	-
<b>Total</b>	<b>259 591 984</b>	<b>(312 579 172)</b>	<b>(52 987 188)</b>	<b>313 140 121</b>	<b>(292 698 058)</b>	<b>20 442 063</b>

# WALTER SISULU LOCAL MUNICIPALITY

## APPENDIX D (UNAUDITED)

### DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDING 30 JUNE 2019

	BALANCE ON MERGER DATE R	GRANTS RECEIVED R	TRANSFERRED TO REVENUE (OPERATING) R	TRANSFERRED TO REVENUE (CAPITAL) R	RETURNED TO TREASURY R	CLOSING BALANCE R
<b>NATIONAL GOVERNMENT</b>						
Equitable Share	-	52 677 000	(52 677 000)	-	-	-
Financial Management Grant (FMG)	-	4 315 000	(4 315 000)	-	-	-
Municipal Infrastructure Grant (MIG)	-	18 570 000	(2 375 647)	(9 647 655)	-	6 546 697
Skills Development Fund	-	189 144	(189 144)	-	-	-
Integrated National Electrification Programme (INEP)	-	5 231 000	(564 110)	(3 760 735)	-	906 155
Expanded Public Works Program (EPWP)	-	1 517 000	(1 517 000)	-	-	-
National Treasury Audit Fees Grant 1%	-	5 894 359	(5 894 359)	-	-	-
Municipal Demarcation and Transition Grant	9 833 013	-	(2 477 013)	-	(7 356 000)	-
<b>Total</b>	<b>9 833 013</b>	<b>88 393 503</b>	<b>(70 009 273)</b>	<b>(13 408 390)</b>	<b>(7 356 000)</b>	<b>7 452 852</b>
<b>PROVINCIAL GOVERNMENT</b>						
Library Grant	-	1 947 000	(1 947 000)	-	-	-
Municipal Demarcation and Transition Grant	523 123	-	(523 123)	-	-	-
Spatial Development Plan	361 000	-	-	-	-	361 000
1218 Link Houses	271 617	-	-	-	-	271 617
330 Houses	168 331	-	-	-	-	168 331
Area 5 Services	63 514	-	-	-	-	63 514
Hilton 89 Houses	6 746	-	-	-	-	6 746
Area 13 - Fund	98 454	-	-	-	-	98 454
318 Houses Jamestown	373 367	-	-	-	-	373 367
Jamestown 858 Houses Planning	6 090	-	-	-	-	6 090



# WALTER SISULU LOCAL MUNICIPALITY

## APPENDIX D (UNAUDITED)

### DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDING 30 JUNE 2019

Jamestown 858 Houses	639 778	-	-	-	-	639 778
838 Wonings Fonds	690 403	-	-	-	-	690 403
Land Survey Management	467 500	-	-	-	-	467 500
LED Garden Project Jamestown	97 454	-	-	-	-	97 454
JL De Bruin Dam	193 973	-	-	-	-	193 973
DPLG Funding (Gariep)	110 993	-	-	-	-	110 993
<b>Total</b>	<b>4 072 345</b>	<b>1 947 000</b>	<b>(2 470 123)</b>	<b>-</b>	<b>-</b>	<b>3 549 222</b>
<b>DISTRICT MUNICIPALITY</b>						
Joe Gqabi District Municipality Grant	1 489 886	-	-	-	-	1 489 886
<b>Total</b>	<b>1 489 886</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 489 886</b>
<b>ALL SPHERES GOVERNMENT</b>	<b>15 395 244</b>	<b>90 340 503</b>	<b>(72 479 397)</b>	<b>(13 408 390)</b>	<b>(7 356 000)</b>	<b>12 491 960</b>

# WALTER SISULU LOCAL MUNICIPALITY

## APPENDIX E (1) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

#### REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

	ORIGINAL BUDGET 2019 R	BUDGET ADJUSTMENTS 2019 R	FINAL BUDGET 2019 R	ACTUAL OUTCOME 2019 R	BUDGET VARIANCE 2019 R
<b>REVENUE</b>					
<b>Governance and administration</b>	<b>102 024 657</b>	<b>(39 331 084)</b>	<b>62 693 573</b>	<b>107 320 650</b>	<b>44 627 077</b>
Executive and council	4 811 000	53 629	4 864 629	8 503 665	3 639 036
Budget and treasury office	97 213 657	(39 384 713)	57 828 944	98 816 984	40 988 040
Internal Audit	-	-	-	-	-
<b>Community and public safety</b>	<b>17 541 256</b>	<b>23 009 372</b>	<b>40 550 628</b>	<b>6 867 739</b>	<b>(33 682 889)</b>
Community and social services	6 850 471	(6 850 471)	-	2 481 981	2 481 981
Sport and recreation	1 548 713	39 001 915	40 550 628	387 146	(40 163 482)
Public safety	9 142 071	(9 142 071)	-	3 998 612	3 998 612
<b>Economic and environmental services</b>	<b>24 692 318</b>	<b>(15 206 762)</b>	<b>9 485 556</b>	<b>12 110 525</b>	<b>2 624 969</b>
Planning and development	343 427	(0)	343 427	-	(343 427)
Road transport	24 348 891	(15 206 762)	9 142 129	12 110 525	2 968 396
<b>Trading services</b>	<b>134 773 784</b>	<b>17 795 187</b>	<b>152 568 971</b>	<b>132 932 970</b>	<b>(19 636 001)</b>
Electricity	99 672 371	(3 868 163)	95 804 208	113 992 268	18 188 060
Waste management	35 101 413	21 663 350	56 764 763	18 940 701	(37 824 062)
<b>Other</b>	<b>1 104 546</b>	<b>(1 104 546)</b>	<b>-</b>	<b>360 101</b>	<b>360 101</b>
<b>Total Revenue - Standard</b>	<b>280 136 562</b>	<b>(14 837 834)</b>	<b>265 298 728</b>	<b>259 591 984</b>	<b>(5 706 744)</b>

# WALTER SISULU LOCAL MUNICIPALITY

## APPENDIX E (1) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

#### REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

	ORIGINAL BUDGET 2019 R	BUDGET ADJUSTMENTS 2019 R	FINAL BUDGET 2019 R	ACTUAL OUTCOME 2019 R	BUDGET VARIANCE 2019 R
<b>EXPENDITURE</b>					
<b>Governance and administration</b>	<b>65 655 321</b>	<b>14 352 394</b>	<b>80 007 715</b>	<b>97 013 664</b>	<b>17 005 949</b>
Executive and council	26 168 767	1 696 763	27 865 530	32 222 756	4 357 226
Budget and treasury office	39 486 554	12 655 631	52 142 185	64 790 909	12 648 724
Internal Audit	-	-	-	-	-
<b>Community and public safety</b>	<b>19 155 429</b>	<b>(10 158 207)</b>	<b>8 997 222</b>	<b>15 329 349</b>	<b>6 332 127</b>
Community and social services	7 177 770	(7 177 770)	-	5 610 786	5 610 786
Sport and recreation	2 454 803	4 456 700	6 911 503	2 417 070	(4 494 433)
Public safety	6 499 256	(6 499 256)	-	5 394 344	5 394 344
Housing	3 023 601	(937 882)	2 085 719	1 907 149	(178 570)
<b>Economic and environmental services</b>	<b>38 733 173</b>	<b>(30 604 935)</b>	<b>8 128 238</b>	<b>37 232 962</b>	<b>29 104 724</b>
Planning and development	6 965 251	(4 214 456)	2 750 795	3 708 551	957 756
Road transport	31 767 922	(26 390 479)	5 377 443	33 524 412	28 146 969
<b>Trading services</b>	<b>112 066 046</b>	<b>30 967 688</b>	<b>143 033 734</b>	<b>160 194 418</b>	<b>17 160 684</b>
Electricity	90 739 829	(39 983)	90 699 846	119 653 570	28 953 724
Waste management	21 326 217	31 007 671	52 333 888	40 540 848	(11 793 040)
<b>Other</b>	<b>2 595 060</b>	<b>(2 595 060)</b>	<b>-</b>	<b>2 808 779</b>	<b>2 808 779</b>
<b>Total Expenditure - Standard</b>	<b>238 205 029</b>	<b>1 961 880</b>	<b>240 166 909</b>	<b>312 579 172</b>	<b>72 412 263</b>
<b>Surplus/(Deficit) for the year</b>	<b>41 931 532</b>	<b>(16 799 713)</b>	<b>25 131 819</b>	<b>(52 987 188)</b>	<b>(78 119 007)</b>

# WALTER SISULU LOCAL MUNICIPALITY

## APPENDIX E (2) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

#### REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

	ORIGINAL BUDGET 2019 R	BUDGET ADJUSTMENTS 2019 R	FINAL BUDGET 2019 R	ACTUAL OUTCOME 2019 R	BUDGET VARIANCE 2019 R
<b>REVENUE</b>					
Executive and Council	4 811 000	257	4 811 257	8 503 665	3 692 408
Office of the Municipal Manager	-	396 799	396 799	-	-
Budget and treasury office	97 213 656	(49 723 264)	47 490 392	96 280 847	48 790 455
Technical Services	-	120 789 423	120 789 423	128 449 788	7 660 365
Corporate Services	-	10 338 552	10 338 552	354 029	(9 984 523)
Planning and development	343 427	(343 427)	-	-	-
Community Services	6 850 471	74 621 834	81 472 305	26 003 655	(55 468 650)
Public safety	9 142 071	(9 142 071)	-	-	-
Sport and recreation	1 511 770	(1 511 770)	-	-	-
Waste management	35 138 356	(35 138 356)	-	-	-
Road transport	24 348 891	(24 348 891)	-	-	-
Electricity	99 672 371	(99 672 371)	-	-	-
Other	1 104 546	(1 104 546)	-	-	-
<b>Total Revenue by Vote</b>	<b>280 136 561</b>	<b>(14 837 833)</b>	<b>265 298 728</b>	<b>259 591 984</b>	<b>(5 309 945)</b>

# WALTER SISULU LOCAL MUNICIPALITY

## APPENDIX E (2) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

#### REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

	ORIGINAL BUDGET 2019 R	BUDGET ADJUSTMENTS 2019 R	FINAL BUDGET 2019 R	ACTUAL OUTCOME 2019 R	BUDGET VARIANCE 2019 R
<b>EXPENDITURE</b>					
Executive and council	26 168 767	(10 967 253)	15 201 514	25 373 228	10 171 714
Office of the Municipal Manager	-	15 414 812	15 414 812	10 558 078	(4 856 734)
Budget and treasury office	39 486 554	(4 180 615)	35 305 939	45 726 567	10 420 628
Technical Services	-	122 367 408	122 367 408	157 324 897	34 957 489
Corporate Services	-	16 836 246	16 836 246	19 327 424	2 491 178
Planning and development	6 965 251	(6 965 251)	-	-	-
Community Services	7 177 770	27 863 220	35 040 990	54 268 979	19 227 989
Housing	3 023 601	(3 023 601)	-	-	-
Public safety	6 499 256	(6 499 256)	-	-	-
Sport and recreation	2 454 803	(2 454 803)	-	-	-
Waste management	21 326 217	(21 326 217)	-	-	-
Road transport	31 767 922	(31 767 922)	-	-	-
Electricity	90 739 829	(90 739 829)	-	-	-
Other	2 595 060	(2 595 060)	-	-	-
<b>Total Expenditure by Vote</b>	<b>238 205 029</b>	<b>1 961 880</b>	<b>240 166 909</b>	<b>312 579 172</b>	<b>72 412 263</b>
<b>Surplus/(Deficit) for the year</b>	<b>41 931 532</b>	<b>(16 799 713)</b>	<b>25 131 819</b>	<b>(52 987 188)</b>	<b>(77 722 208)</b>

# WALTER SISULU LOCAL MUNICIPALITY

## APPENDIX E (3) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

#### REVENUE AND EXPENDITURE

	ORIGINAL BUDGET 2019 R	BUDGET ADJUSTMENTS 2019 R	FINAL BUDGET 2019 R	ACTUAL OUTCOME 2019 R	BUDGET VARIANCE 2019 R
<b>REVENUE BY SOURCE</b>					
Property rates	38 548 980	(4 204 960)	34 344 020	23 113 584	(11 230 436)
Service charges - electricity revenue	98 609 548	(8 156 740)	90 452 808	94 671 739	4 218 931
Service charges - refuse revenue	27 990 113	(3 290 964)	24 699 149	18 819 805	(5 879 344)
Rental of facilities and equipment	3 309 321	(97 736)	3 211 585	2 518 401	(693 184)
Interest earned - external investments	2 650 000	1	2 650 001	1 089 788	(1 560 213)
Interest earned - outstanding debtors	5 513 130	5	5 513 135	8 770 990	3 257 855
Fines	662 830	2 368	665 198	205 089	(460 109)
Licences and permits	5 880 578	(658)	5 879 920	3 492 264	(2 387 656)
Agency services	3 372 242	(2 751 930)	620 312	698 050	77 738
Transfers recognised - operational	60 456 000	2 043 427	62 499 427	72 479 397	9 979 970
Other revenue	9 242 019	1 619 373	10 861 392	20 324 488	9 463 096
Gains on disposal of PPE	100 801	-	100 801	-	(100 801)
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>256 335 562</b>	<b>(14 837 814)</b>	<b>241 497 748</b>	<b>246 183 594</b>	<b>4 685 846</b>

# WALTER SISULU LOCAL MUNICIPALITY

## APPENDIX E (3) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

#### REVENUE AND EXPENDITURE

	ORIGINAL BUDGET 2019 R	BUDGET ADJUSTMENTS 2019 R	FINAL BUDGET 2019 R	ACTUAL OUTCOME 2019 R	BUDGET VARIANCE 2019 R
<b>EXPENDITURE BY TYPE</b>					
Employee related costs	95 188 236	(8 147 703)	87 040 533	84 557 655	(2 482 878)
Remuneration of councillors	8 833 407	(1 048 436)	7 784 971	8 039 387	254 416
Debt impairment	2 575 000	1	2 575 001	31 216 536	28 641 535
Depreciation & asset impairment	16 631 090	(900 000)	15 731 090	29 098 337	13 367 247
Finance charges	459 107	16 299 686	16 758 793	26 807 559	10 048 766
Bulk purchases	77 868 000	(1 114 372)	76 753 628	88 502 282	11 748 654
Transfers and grants	374 684	(39 468)	335 216	30 000	(305 216)
Other expenditure	36 275 506	(3 087 808)	33 187 698	44 301 268	11 113 570
Loss on disposal of PPE	-	-	-	26 148	26 148
<b>Total Expenditure</b>	<b>238 205 029</b>	<b>1 961 901</b>	<b>240 166 930</b>	<b>312 579 172</b>	<b>72 412 242</b>
<b>Surplus/(Deficit)</b>	<b>18 130 532</b>	<b>(16 799 715)</b>	<b>1 330 818</b>	<b>(66 395 578)</b>	<b>(67 726 396)</b>
Transfers recognised - capital	23 801 000	-	23 801 000	13 408 390	(10 392 610)
<b>Surplus/(Deficit) for the year</b>	<b>41 931 532</b>	<b>(16 799 715)</b>	<b>25 131 818</b>	<b>(52 987 188)</b>	<b>(78 119 006)</b>

# WALTER SISULU LOCAL MUNICIPALITY

## APPENDIX E (4) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

#### CAPITAL EXPENDITURE

	ORIGINAL BUDGET 2019 R	BUDGET ADJUSTMENTS 2019 R	FINAL BUDGET 2019 R	ACTUAL OUTCOME 2019 R	BUDGET VARIANCE 2019 R
<b>CAPITAL EXPENDITURE (VOTE)</b>					
Executive and council	30 000	(10 000)	20 000	29 388	9 388
Office of the Municipal Manager	-	30 000	30 000	53 368	23 368
Budget and treasury office	1 730 000	(19 999)	1 710 001	431 096	(1 278 905)
Technical Services	-	22 972 500	22 972 500	15 440 954	(7 531 546)
Corporate Services	-	30 000	30 000	88 590	58 590
Community Services	20 000	(20 000)	-	1 030 947	1 030 947
Road transport	18 580 000	(18 580 000)	-	-	-
Electricity	5 241 000	(5 241 000)	-	-	-
<b>Total Capital Expenditure by Vote</b>	<b>25 601 000</b>	<b>(838 499)</b>	<b>24 762 501</b>	<b>17 074 342</b>	<b>(7 688 159)</b>

#### CAPITAL EXPENDITURE (STANDARD CLASSIFICATION)

<b>Governance and administration</b>	<b>1 760 000</b>	<b>30 001</b>	<b>1 790 001</b>	<b>761 300</b>	<b>(1 028 701)</b>
Executive and council	30 000	20 000	50 000	82 756	32 756
Budget and treasury office	1 730 000	10 001	1 740 001	678 545	(1 061 456)



# WALTER SISULU LOCAL MUNICIPALITY

## APPENDIX E (4) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	ORIGINAL BUDGET 2019 R	BUDGET ADJUSTMENTS 2019 R	FINAL BUDGET 2019 R	ACTUAL OUTCOME 2019 R	BUDGET VARIANCE 2019 R
<b>Community and public safety</b>	<b>20 000</b>	<b>(20 000)</b>	-	<b>392 302</b>	<b>392 302</b>
Community and social services	20 000	(20 000)	-	243	243
<b>Economic and environmental services</b>	<b>18 580 000</b>	<b>(18 580 000)</b>	-	<b>11 070 670</b>	<b>11 070 670</b>
Road transport	18 580 000	(18 580 000)	-	11 070 670	11 070 670
<b>Trading services</b>	<b>5 241 000</b>	<b>17 731 500</b>	<b>22 972 500</b>	<b>4 850 070</b>	<b>(18 122 430)</b>
Electricity	5 241 000	90 000	5 331 000	4 211 425	(1 119 575)
Waste management	-	17 641 500	17 641 500	638 645	(17 002 855)
<b>Total Capital Expenditure - Standard</b>	<b>25 601 000</b>	<b>(838 499)</b>	<b>24 762 501</b>	<b>17 074 342</b>	<b>(7 688 159)</b>
<b>CAPITAL EXPENDITURE (FUNDING SOURCES)</b>					
National Government	23 801 000	(928 500)	22 872 500	13 408 390	(9 464 110)
<b>Transfers recognised - capital</b>	<b>23 801 000</b>	<b>(928 500)</b>	<b>22 872 500</b>	<b>13 408 390</b>	<b>(9 464 110)</b>
Internally generated funds	1 800 000	-	1 800 000	3 665 952	1 865 952
<b>Total Capital Funding</b>	<b>25 601 000</b>	<b>(928 500)</b>	<b>24 672 500</b>	<b>17 074 342</b>	<b>(7 598 158)</b>

# WALTER SISULU LOCAL MUNICIPALITY

## APPENDIX E (5) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2019

#### CASH FLOWS

	ORIGINAL BUDGET 2019 R	BUDGET ADJUSTMENTS 2019 R	FINAL BUDGET 2019 R	ACTUAL OUTCOME 2019 R	BUDGET VARIANCE 2019 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
<b>Receipts</b>					
Property rates	37 778 400	-	37 778 400	17 980 157	(19 798 243)
Service charges	125 988 520	-	125 988 520	84 868 840	(41 119 681)
Other revenue	25 487 959	-	25 487 959	29 940 684	4 452 725
Government - operating	55 894 000	-	55 894 000	69 479 260	13 585 260
Government - capital	23 801 000	-	23 801 000	20 861 242	(2 939 758)
Interest	8 163 130	-	8 163 130	1 089 788	(7 073 342)
<b>Payments</b>					
Suppliers and employees	(237 606 682)	-	(237 606 682)	(176 817 270)	60 789 412
Finance charges	(5 430 030)	-	(5 430 030)	(22 905 906)	(17 475 876)
Transfers and Grants	(8 375 728)	-	(8 375 728)	(30 000)	8 345 728
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>25 700 569</b>	<b>-</b>	<b>25 700 569</b>	<b>24 466 796</b>	<b>(1 233 773)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Receipts</b>					
Proceeds on disposal of PPE	100 801	-	100 801	16 261	(84 540)
Decrease/(Increase) in non-current investment	-	-	-	(117 701)	(117 701)
<b>Payments</b>					
Capital assets	(25 601 000)	-	(25 601 000)	(16 436 602)	9 164 398
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(25 500 199)</b>	<b>-</b>	<b>(25 500 199)</b>	<b>(16 538 042)</b>	<b>8 962 157</b>

# WALTER SISULU LOCAL MUNICIPALITY

## APPENDIX E (5) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2019

#### CASH FLOWS

	ORIGINAL BUDGET 2019 R	BUDGET ADJUSTMENTS 2019 R	FINAL BUDGET 2019 R	ACTUAL OUTCOME 2019 R	BUDGET VARIANCE 2019 R
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>Receipts</b>					
Increase (decrease) in consumer deposits	100 000	-	100 000	114 098	14 098
<b>Payments</b>					
Repayment of borrowing	(211 095)	-	(211 095)	(638 772)	(427 677)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>(111 095)</b>	<b>-</b>	<b>(111 095)</b>	<b>(524 674)</b>	<b>(413 578)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>89 274</b>	<b>-</b>	<b>89 274</b>	<b>7 404 080</b>	<b>7 314 805</b>
Cash/cash equivalents at the year begin:	21 658 077	-	21 658 077	6 036 417	(15 621 660)
Cash/cash equivalents at the year end:	21 747 351	-	21 747 351	13 440 497	(8 306 854)